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28 June 1983

# China Report

ECONOMIC AFFAIRS

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## CHINA REPORT ECONOMIC AFFAIRS

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## NATIONAL POLICY AND ISSUES

### JINGJI YANJIU DISCUSSES LABOR ACCUMULATION

HK170855 Beijing JINGJI YANJIU Chinese No 5, 20 May 83 pp 48-51

[Article by Zhang Yinggao [1728 2019 7559]: "A Brief Comment on Labor Accumulation Under Socialism"]

[Text] At the 12th CPC National Congress Comrade Hu Yaobang said that "China's labor force has rich reserves and we must pay attention to expanding labor accumulation." (Hu Yaobang: "Open up an All-round new Aspect in Socialist Modernization Construction" The People's Publishing Company, 1982, p 15). The question of labor accumulation is an extremely important theoretical question and also an extremely important practical question. In socialist modernization construction, constantly expanding labor accumulation and fully expressing the role of labor accumulation is extremely significant for realizing the glorious strategic targets of the CPC Central Committee and finishing all the tasks of the party in this new historical period in time. This article attempts to make a few superficial comments on the questions relating to labor accumulation.

#### 1. The Specific Meaning of Labor Accumulation Itself

In the field of economic theory in China, one former point of view held that labor accumulation was a special category within the agricultural economy. It was because of the fetters of this kind of thinking that in the past only textbooks on agricultural economy gave any explanations of labor accumulation, whereas in political economics and other areas of economics, not one word was ever raised about it. Today we can see that this way of looking at the situation and its methodology is very one-sided. Comrade Hu Yaobang pointed out that "in the rural areas we must take advantage of the masses" labor force to carry out fundamental agricultural construction effectively, suiting measures to local conditions, and in areas of construction such as mining, communications and so on, we must pay attention to the role of labor accumulation." (Hu Yaobang: "Open up an All-round new Aspect in Socialist Modernization Construction" The People's Publishing Company, 1982, p 15). In other words, not only is labor accumulation an important question within agricultural construction, it is also a question common to mining, communications and other areas of construction. I believe that one of the most important reasons for the development of the above-mentioned, former one-sided view of labor accumulation is or was a lack of clear understanding of the meaning of labor accumulation in theoretical terms, giving rise to an underestimation of the important role and significance of labor accumulation.

So, what then is the specific meaning of labor accumulation itself?

Labor accumulation, as we call it, is a special kind of accumulation and specifically refers to the materialization of live labor. Thus it cannot be compared to general accumulation in every way, since the two have their likenesses, but also their differences. Their likenesses are as follows: (1) The formation of accumulation; the process of formation of general accumulation involves the expenditure of material labor and the expenditure of live labor. In the process of the formation of labor accumulation there is also expenditure of both material labor and live labor. In this case, then, the two are the same. (2) The use of accumulation; the process of using general accumulation is the process of expanded reproduction. Likewise, the process of using labor accumulation is also the process of social expanded reproduction. Here again, the two are similar. (3) The consequences of accumulation; general accumulation is able to produce economic results and produce sufficient products to satisfy social production and the needs of the people's livelihood. The same holds for labor accumulation, it too produces certain economic results and in the long run creates sufficient products to satisfy social production and the needs of the people's livelihood. Here again, the two are similar. In conclusion then, labor accumulation and general accumulation are both the source of expanded reproduction, and they have their similarities.

However, labor accumulation and general accumulation also have their differences and these are: (1) In the process of the formation of general accumulation, the amount of material labor consumed is quite considerable while the amount of live labor consumed is rather small. On the other hand, in the process of the formation of labor accumulation, the amount of material labor consumed is quite small, while it is mainly live labor that is expended. (2) The use of general accumulation produces results quickly and within a short period of time it can produce sufficient products to satisfy social production and the needs of the people's livelihood. Labor accumulation, on the other hand, is unable to produce results within a short space of time and thus cannot immediately produce sufficient products to satisfy social production and the needs of the people's livelihood. (3) In the process of the formation of general accumulation the live labor expended can be replaced fairly quickly but the live labor expended in the process of the formation of labor accumulation is only gradually replaced or supplemented through constant results produced after the creation of products by labor accumulation. (4) General accumulation can be carried out in all material production departments and thus it produces a very broad sphere within which it works. However, labor accumulation can only be carried out in material production sector or situations low in organic components, and thus the sphere which it has set up is very limited. In conclusion then, there are differences between labor accumulation and general accumulation with labor accumulation being the accumulation of live labor or, in other words, the materialization of live labor, while general accumulation is the accumulation of material labor, or in other words, it is "labor which has already been accumulated." Herein lies the fundamental difference between the two.

From the above we can see that labor accumulation is a very special kind of accumulation in comparison to general accumulation, whether it be fund accumulation or accumulation of material goods. Whether it be in material production

sectors or situations low in organic components of capital, there is no or very little investment, instead there is mainly a large investment of live labor and the worker's labor is not able to produce results in a very short space of time, not is it able to immediately produce sufficient products to satisfy social production and the needs of the people's livelihood. The live labor expended in in this process can only be gradually replaced or replenished through constant results produced after the completion of the products, and it is this which produces the worker's labor accumulation to society or the collective. This then is the special meaning of labor accumulation itself.

## 2. The Important Significance and Role of Carrying Out Labor Accumulation

Comrade Chen Yun said that we are a country with a population of 1 billion, 800 million of whom are peasants, and it is on this basis that we must carry out construction in China. In saying this, Comrade Chen Yun exposed very succinctly the present situation in China, that is, that China's population is large and that it has rich reserves of labor. At the same time our production forces are backward and our standards of science and technology low. Constructing socialist modernization from this basis means that we must pay attention to carrying out labor accumulation, for it has an important role to play and is extremely significant.

First, labor accumulation is an important source for socialist expanded reproduction. As was mentioned before, the process of the use of general accumulation is the process of expanded reproduction while the process of the use of labor accumulation is also the process of socialist expanded reproduction. This means that general accumulation is the source of expanded reproduction and labor accumulation is also the source of expanded reproduction. Finances in China today are insufficient and funds are limited, and thus it is very difficult to rely solely on general accumulation in carrying out expanded reproduction. It is vital that we also rely on labor accumulation to carry out expanded reproduction. This is especially true in rural areas and situations with low mechanization where to a very great extent it is still only possible to rely on labor accumulation to carry out expanded reproduction. Thus we can in this sense say that labor accumulation is an extremely important source of expanded reproduction.

In the previous period of studying and discussing Marxist theories of reproduction, economists in China tended to have a tendentious opinion that, on the basis of China's actual situation, we should concentrate on the intensification of extended reproduction and work towards exploiting potential, transformations and reforms. The author also fundamentally embraces this view but feels at the same time that it is not sufficiently all-encompassing. I feel that the correct thing to do is to concentrate on the intensification of extended reproduction and work towards an integration of intensification of extended reproduction, extensional extended reproduction and making use of labor accumulation to carry out extended reproduction.

Secondly, labor accumulation is an important means of realizing the aims of socialist production. Marx and Engels said that "in a capitalist class society, live labor is merely a means of proliferating labor which has already accumu-

lated. In a communist society, labor which has already been accumulated is merely a means of expanding and enriching and improving the workers' lives." (Marx, "The Communist Manifesto" from "Selected Works of Marx and Engels," Vol 1, p 266). This means that socialist accumulation is both derived from and used by the people and is a means of satisfying the constantly increasing material and cultural needs of the entire population. Labor accumulation is an important integral part of socialist accumulation and as such is no exception. As labor accumulation constantly increases and the scale of socialist reproduction constantly enlarges and the quantity of products provided for society constantly increases, so the material and cultural standards of all the people gradually improve, thus guaranteeing even better realization of our socialist aims.

Thirdly, labor accumulation is an important means of achieving socialist modernization. We all know that agriculture, energy, and communications are all components of the strategic focus of China's economic development for the next 20 years and thus good construction work in these focal areas is vitally important for achieving socialist modernization. In addition, carrying out labor accumulation is an important link and an important means of successfully carrying out the construction of these focal areas. For example, labor accumulation carried out in agriculture makes use of the massive labor force to carry out capital construction in agriculture and repairs to some reservoirs so that barren land may be quickly transformed into paddy fields, thus expanding rice planting areas and ensuring that good harvests are obtained in both dry and wet weather and greatly improving yield per unit area. Another example is the carrying out of labor accumulation in communications and energy construction work, thus many railways, roads, airports and seaports are repaired or built, there is greater exploitation of oil and coal resources and hence fuel and other needs are satisfied and great improvements in agricultural and industrial production are produced. Thus we can see that the carrying out labor accumulation is extremely significant and has an extremely important role to play in achieving socialist modernization.

### 3. The Basic Means And Principles Of Expanding Labor Accumulation

Below are the major means of expanding labor accumulation:

First: strengthening agricultural capital construction. Agriculture represents the foundation of China's economy and agricultural capital construction represents the basic work in agricultural production. To carry out agricultural capital construction means to improve, on a very fundamental basis, the natural conditions for agricultural production so that the natural forces may be controlled and mastered even better and used more economically to promote development throughout agriculture. Within agricultural capital construction, repairs to reservoirs, the construction of dykes and dams, and soil improvement are all major earthwork construction projects and since levels of mechanization are low, they require large amounts of live labor and thus the implementation of labor accumulation. So, as the scale of agricultural capital construction constantly increases, the scale of labor accumulation also constantly increases. Thus strengthening agricultural capital construction is an important means of expanding labor accumulation.

Second: Strengthening the exploitation of energy resources. The energy industry represents a fundamental, material production department within the national economy. It provides fuel and motive power for every other sector of the national economy. Because of this the Central Party Committee has made the energy industry one of the strategic focal points of economic development in China and thus in the future we must greatly increase our exploitation of energy resources. Limitations caused by insufficient funds in China at present mean that it is not possible to rely solely on general accumulation in improving the exploitation of energy resources and since the initial stages of exploiting coal, oil and natural gas resources demand a great deal of earthwork engineering which is suited to manual labor operation, the general process of energy exploitation demands that we consider the question of carrying out labor accumulation. Thus, the more that the exploitation of energy resources is stepped up, the larger the scale of labor accumulation becomes. Thus stepping up the exploitation of energy resources is another important way of expanding labor accumulation.

Third: Stepping up communications construction. Communications are the forerunner of modernized industry and they represent the lifeline of the national economy. Large-scale development of communication construction work is an objective demand of socialized major production development. Thus we must step up communications construction work, building more railways, roads, ports and airports, but to do this we cannot solely depend on general accumulation as additional investments; instead, a great deal of earthwork engineering must depend on human labor for completion and thus we must carry out labor accumulation. Hence, labor accumulation will necessarily expand as communications construction work develops.

Fourth: Tap new production sources. We should take advantage of natural conditions and suit measures to local conditions, opening up and tapping new production sources, which involve little investments of funds, and using the large amounts of live labor for productive capital construction, thus establishing material premises for expanding reproduction and in this way we can also constantly expand labor accumulation.

However, we cannot randomly expand labor accumulation and in carrying out labor accumulation we must abide by the following few basic principles:

First, labor accumulation must be carried out in a planned way. The socialist economy is a planned economy and labor accumulation is an integral part of the socialist economy. Thus labor accumulation must be carried out in a planned way. If this is not done, arbitrary expansion of labor accumulation will destroy the proportional relations within the national economy and hinder the development of the socialist economy.

Second, the relations between labor accumulation and general accumulation must be correctly handled. In the process of forming labor accumulation, it is mainly live labor which is expanded, but a certain amount of material labor is also expanded. In other words, in carrying out labor accumulation there must be a certain amount of investment involved. Thus here we can say that if there were no general accumulation, there would be no labor accumulation. Hence, when expanding labor accumulation we must consider the scale and possibility of general accumulation and we must ensure that the funds needed for carrying out labor accumulation correspond to the realistic possibilities that general



accumulation can provide. If this is not done, then labor accumulation cannot be carried out.

Third, the relations between capital construction and present production must be correctly handled. In general, the process of labor accumulation is the process of productive capital construction carried out in material production departments or situations low in organic components of capital. Thus labor accumulation impinges on the relations between capital construction and present production. When carrying out labor accumulation we must uphold the principle of "production first, capital construction afterwards," in other words we must uphold the principle of carrying out capital construction on the premise of guaranteeing present production. And this is the correct way of handling these relations. If we do not work in this way, then present production will be affected and the masses' income for that year will be reduced, thus severely damaging the workers' enthusiasm for providing labor accumulation for society. In the past, some regions constructed large and medium-scale reservoirs in order to carry out labor accumulation, but they did not take note of production for that year and thus during the summer season, when hoeing is very important, the labor force was concentrated on the reservoir projects with the result that it was impossible to do all the necessary hoeing and tilling work and with no one around to control droughts and pest infestations, there was a great drop in production for that year. We must never forget such harsh lessons as this.

Finally, the relations between the state, the collective and the individual worker must be correctly handled. Any labor accumulation, after it has produced products, will produce results for a long period of time. However, some of these results are directly absorbed by the state, some directly absorbed by the collective and some directly absorbed by the individual worker. Because of differences in the direct absorption of results, the question of correctly handling the relations of interests or results between the state, the collective and the individual worker emerges in the process of labor accumulation. Thus we must uphold the principle of "the three equal considerations" in correctly handling these relations and firmly opposing erroneous tendencies towards "egalitarianism and indiscriminate transfer of results or resources." In working towards these aims, the most important question to resolve is that of replenishing expended live la\$4. I feel that two methods can be used to solve the problem. One is the direct absorption of results, gradually making up losses from the results constantly produced after the creation of products through labor accumulation. The other is not direct absorption of results, with replenishment coming from the charges or fees of results constantly produced [word indistinct] the creation of products through labor accumulation. Only in this way can enthusiasm in every area be fully mobilized to constantly expand labor accumulation.

CSO: 4006/592

NATIONAL POLICY AND ISSUES

JINGJI RIBAO ON EXCESSIVE CAPITAL CONSTRUCTION

HK090919 Beijing JINGJI RIBAO in Chinese 18 May 83 p 2

[Article by Yang Shusheng [2799 2885 3932]: "Reviewing the Past Helps One to Understand the Present--Conditions and Lessons of Unrealistic Expansion of the Siege of Capital Construction on Three Occasions Since the Founding of the PRC"]

[Text] As early as in January 1957, Comrade Chen Yun pointed out: "If the scale of construction exceeds the potential of the state's financial and material strength, it is risky, and may produce economic chaos: If the scale of construction is suited to this strength, then the economy will be stable." His opinion struck the very essence of the maladies existing in our country's capital construction, and has great guiding significance to our country's economic construction. Since the founding of the PRC, we have had both the good experience of the "first 5-Year Plan," when capital construction and state strength were mutually compatible, and the lesson of several times when capital construction overloaded the national strength. It is highly necessary to look back at the three occasions since the founding of the PRC when the scale of capital construction was blindly expanded, and the serious effect that this had on the whole of the national economy, and to draw lessons from this experience.

During the period of the "first 5-Year Plan," though the scale of capital construction in various years was excessive or insufficient, this was promptly readjusted in each case, and overall, the scale of capital construction and the national strength were basically commensurate with each other. The average annual accumulation rate during this period was 24.2 percent, and investment in capital construction as a proportion of national income and financial revenue was 13.6 percent and 37 percent respectively. The average annual number of large- and medium-scale projects under construction was 700, with marked returns on investment. The national income saw fast and stable development, growing at an average speed of 3.9 percent, while the financial revenue showed an average increase rate of 11 percent. The people's standard of living also showed a certain improvement, with the per capita consumption increasing on average 7.3 percent annually. However, in the subsequent 20-odd years, the blind pursuit of high speed and high targets in production several times led to massive expansion of the scale of capital construction, an expansion only reversed when the national strength was unable to support it any longer and therefore left no choice in the matter. The repeated upheavals caused by these radical ups and downs caused huge loss to the national economy.

The first time was the 1958 of the "great leap forward." During that year, investment in capital construction reached 26.7 billion yuan, a massive 12.9 billion yuan more than the previous year, or a 93 percent increase. As a proportion of the national income and financial revenue, it amounted to 23.9 and 56 percent respectively. The number of large- and medium-scale projects under construction suddenly leapt to over 1,500, an increase of 70 percent over the previous year. Investment in 1959 increased a further 29.2 percent over 1958, reaching 34.5 billion yuan. After 1960, capital construction on this colossal scale could therefore no longer be maintained. In 1961, with the implementation of the policy of economic readjustment, investment in capital construction was greatly reduced, and by 1962 had been cut down to 6.8 billion yuan. Only after 3 hard years of overall economic readjustment, was economic restoration finally achieved.

The second time was in 1970. That year, capital construction investment increased by 10.9 billion yuan over the previous year, a growth rate of 59 percent. As shares in the national income and financial revenue that year, it amounted to 15.3 and 45.9 percent respectively. The same period witnessed the successive launching of a whole batch of large- and medium-scale projects centered on the defense, iron and steel, and machine-building industries; during the "Fourth 5-Year Plan" period, the annual number of large- and medium-scale projects under construction averaged 1,500 or 1,600. Construction on many of these projects was only intermittent, and subject to constant delays, such that they became "bottomless pits" in continuous search of more investment, the scale of which therefore increased yearly.

The third time was in 1978. Investment that year leapt again, this time by 11.5 billion yuan, showing a growth rate of 31.6 percent. The investment amounted to 15.9 and 40.7 percent of that year's national income and financial revenue respectively. Over 300 large- and medium-scale projects were added to those under construction that year, making a total of over 1,700; the scale of investment reached a total of 270 billion yuan. Leaving aside those projects for which investment had already been completed, in order to complete the construction of all these projects, a further sum of over 120 billion yuan would have been necessary, which according to 1978 investment levels, and with no other new projects launched, would still have taken another 6 or 7 years. In 1979, when the policy of national economic readjustment was put into effect, projects under construction were sorted out, but due to a lack of unified understanding, not only did this excessive scale of capital construction fail to be reduced, it actually continued to expand, reaching 53.9 billion yuan, a 6 billion yuan increase over 1978. At this point the CPC Central Committee and the State Council formulated their resolution to "cut capital construction." Only after resolutely halting or slowing down a large batch of projects, greatly cutting the investment program previously drawn up for 1981, and adopting a series of strong measures, were they able to effect a genuine reduction in the scale of capital construction for 1981; it dropped 20.7 percent from the previous year, and investment was reduced by 11.15 billion yuan. This readjustment played an extremely important role in effecting a basic balance in that year's national revenue and expenditure, stabilizing the economic situation, eliminating the potential danger, and gaining the overall initiative.

To sum up, these three expansions in the scale of capital construction were all the products of "left" guiding ideology in economic construction, and all were carried out in violation of objective facts and in disregard of the potential of national strength. Though each specific period was different in some ways, all three put the national economy into great jeopardy.

First, excessive scale of capital construction means that the accumulation rate is excessively high for a long period of time, so that consumption funds necessarily remain at a low level for years. This, added to the long-term disregard of nonproductive construction, makes it impossible to increase social consumption, improve the people's living standards, or to gradually come to satisfy the ever-growing consumer needs of society and the individual.

Second, large-scale capital construction brings about an imbalance between finance and credit. Each time the scale becomes excessive, there are bound to be financial deficits for a number of years after. The only way out of financial deficits is to rely on banks to print more money, which in turn leads to inflation, and seriously affects the stability of the economy.

Third, excessive capital construction aggravates the country's shortages in supply of goods and materials. In each year of greatly expanded capital construction, the rate of increase in consumption of the major materials used in capital construction exceeds the increase in the rate of production of these materials. Under these conditions, if excessive capital construction is to be maintained, there is no choice but to rely on squeezing the production, maintenance, and light industry markets to find a way out. This results not only in difficulties in continuing with expanded reproduction, but also destroys simple reproduction.

Fourth, excessive capital construction provokes the blind expansion of certain sectors of heavy industry, causing a disproportion between agriculture, light, and heavy industry, and between the various sectors within heavy industry itself. In particular, the proportion of investment in energy resources and communications has for a long time been kept at a very low level, such that they have become the weakest links in the national economy.

Fifth, excessive capital construction, and doing things on too large a scale, causes serious dispersal of the utilization of people, finance and materials, causing low returns on investment over long periods, and resulting in serious losses and waste.

Reviewing the past helps one to understand the present. We should draw profound lessons from the excessive capital construction of the past, and its results. Under conditions in which the economic situation has taken a turn for the better, it is particularly necessary to keep a clear head; we must definitely abide by Comrade Chen Yun's important guiding principle that "the scale of capital construction and the national strength must be mutually compatible" and, in resolute adherence to the strategic plan of the 12th National CPC Congress and the decisions of the 5th Session of the 5th NPC, strictly control the scale of capital construction, guaranteeing the continued steady development of the national economy.

CSO: 4006/590

## AGGREGATE ECONOMIC DATA

### CHEN LEI'S GOVERNMENT WORK REPORT

SK271210 Harbin HEILONGJIANG RIBAO in Chinese 27 Apr 83 pp 1-3

[Governor Chen Lei's provincial government work report delivered at the First Session of the Sixth Heilongjiang Provincial People's Congress on 13 April 1983]

[Text] Fellow deputies: The First Session of the Fifth Provincial People's Congress was held in December of 1977, 5 years and 3 months ago. Since then, the Fifth Provincial People's Congress has held four meetings. The Provincial People's Government has delivered a work report on each occasion and has submitted it to the congress session for examination and approval. On behalf of the Provincial People's Government, I will now make a report to the congress session on our work done in the past 5 years and on our future tasks. Please examine and discuss it.

The First Part Is on the Major Work Achievements in the Past 5 Years.

The past 5 years were a period of realizing great historical change as well as a period of setting things right, breaking old conventions, and blazing new trails. Since the 3d Plenary Session of the 11th CPC Central Committee, in particular, we have conscientiously implemented the party's line, principles, and policies, scored great achievements on all fronts, and have witnessed profound changes in all undertakings. The political and economic situations in the province as a whole are improving year after year. In line with the unified state plan and under the leadership of the Provincial CPC Committee, we have conducted discussions on the criterion of truth, eliminated the "leftist" influence, carried out education on the four basic principles, criticized the tendency of bourgeois liberalization, conducted checking work, destroyed the factional setup and remnants of the "gang of four" in our province, readjusted and strengthened leading bodies at all levels, redressed unjust, false and wrong cases left over from the past, implemented all party policies, improved socialist democracy and the legal system, and have consolidated the people's democratic dictatorship. In economic work, we have shifted our emphasis from "taking the class struggle as the key link" to economic construction, conscientiously implemented the principle of readjustment, restructuring, consolidation, and improvement, proceeded from the relations between our province and the whole situation, set forth the guiding ideology of "taking the whole situation into account, sharing difficulties, giving full rein to superiority, and

"making more contributions," and have defined a fighting goal for gradually building our province into a modern chemical and agricultural base emphasizing marketable grain and ensuring an all-round development in economic crops and diversified undertakings; into a light industrial base with emphasis on food-stuffs and textile products; into a forestry base with a focus on planting forests and making comprehensive utilization of timber; into an energy and chemical industrial base stressing the development of coal and petroleum; and into a heavy industrial base with an emphasis on readjusting the service orientation of the machinery industry and developing the building materials industry. Through readjustments in the past few years, we have established a better ratio of accumulation and consumption, of agriculture, light industry, and heavy industry and of industry and agriculture which are not balanced for a long time in the past. Economic construction has gradually embarked on a sound path of development. In agricultural production, we have changed our old practice of only stressing grain to the overall development of agriculture, forestry, animal husbandry, and fisheries and to the comprehensive operation of agriculture and commerce. In industrial production, we have shifted our previous focus on mainly grasping output value and output to management, quality, and variety. In commercial work, we have stressed marketing of products instead of purchasing products. Economic work as a whole has changed from only stressing speed to economic benefits. In the course of readjustment, we have conducted a series of reforms in the economic management system and the financial management system, better mobilized the enthusiasm of the localities, departments, enterprises, and individuals, and have promoted a sustained and sound growth in the economy. In 1982, the gross value of industrial and agricultural output reached 36.41 billion yuan, an increase of 33.9 percent over 1977 or an average annual increase of 6 percent. Of this, the average annual growth of the gross industrial output value was 5.5 percent and that of the gross agricultural output value was 7.4 percent. On balance, a new situation has emerged in our province's economy in which agriculture and industry promote and condition each other, the light and heavy industries promote and condition each other, circulation and production promote and condition each other, and production and science and technology promote and condition each other, thus laying a good foundation for creating a new situation in all fields of socialist modernization.

1. Great changes in agriculture have taken place and the rural economy has been prosperous. On the one hand, the province's agricultural resources have not been fully utilized because of the former unitary managerial ideology of "taking grain production as the key link." On the other hand, agricultural productive forces have been somewhat fettered and the peasants' enthusiasm has not been brought into full play because of the "public big pot" and "engaging in farming in a massive manner" in production management. To improve such a situation, we should earnestly implement a series of principles and policies set forth by the central authorities in regard to developing agriculture and, proceeding from the strategy of developing commodity agriculture, define the principle of taking grain production as a main task and developing cash crops and a diversified economy in an all-round way. Efforts should be made to readjust the structure of agricultural production so as to rationally develop the proportional relationship among various sectors in agriculture. In the meantime, it is necessary to draw major crop zones in line with local

conditions and to establish various economic districts so as to bring into play the agricultural productive superiority of various localities. On the basis of conducting guidance in line with the work style of expediting the work in groups, efforts should be made to develop farm mechanization in a planned manner. At present, the province has 82,000 large and middle-sized tractors. The province's gross driving power of various types of machinery has reached 11.07 million horsepower. The province is able to do 46 percent of its farming work by farm machines. The fixed asset value of the province's farm machines has reached 1.85 billion yuan. All of this has played a great role in farming being done in a timely manner, shortening the sowing period, improving soil conditions and promoting production and increases in income. In our province, farm machines have become indispensable motive forces and tools in tapping the latent potential of production. Labor forces emancipated by the program of farm mechanization have effectively strengthened intensive cultivation and the development of a diversified economy. Over the past few years, by introducing various contracting systems with payment linked with output in line with local conditions, our province has generally expanded private lots and has allowed the people to have a certain amount of land for growing fodder and planting trees for cooking wood, thus greatly bringing into play and production enthusiasm of peasants and resulting in strong self-motivated forces in agricultural production. Over the past 5 years, the province has reaped a bumper harvest in 3 consecutive years. The total output of grain, soybeans and yams has reached over 29 billion jin, topping the previous peak. Over the past 2 years, though agricultural production has suffered from extremely great natural disasters never seen since the founding of the PRC, the public feeling and the rural economy across the province have been stable or prosperous. In 1982, though grain output was lower than before, income amassed from developing the diversified economy increased and agricultural output value reached 9.57 billion yuan, topping the previous peak. The output value proportion of cash crops and the diversified economy in total agricultural output value increased from 33.7 percent in 1977 to 43.9 percent in 1982. The province planted and reforested 27.368 million mu of trees, scoring a 3.5-fold increase. The province bred 726,000 mu of saplings, scoring a 28.7 percent increase. The province also has a prosperous future in animal husbandry. In 1982, the province had 137,000 head of milk cows, scoring a 1.2-fold increase. The province had 3.82 million sheep, a 80.4 percent increase. The province raised 31.7 million chickens, scoring a 90 percent increase. The province reaped a harvest of over 35,000 tons of fresh water fish, a 27 percent increase. The number of hogs, cattle, and horses across the province also began to increase.

Commune and brigade owned enterprises have rapidly developed. The 1982 output value and income amassed from other fields reached 1.9 billion yuan, a 1.2-fold increase over the 1977 figure. They have become an important component in the rural economy. There is a new prosperous situation prevailing in domestic sideline production among commune members and farm and sideline products provided by them for the state have increased more and more. The 1982 per capita income amassed from domestic sideline production was near 100 yuan, around a 100 percent increase over the 1977 figure.

The building of state farms has greatly developed. Their production achievements and contributions to the state have become better and better and have

increased. They have played an important and model role in realizing farm mechanization and developing socialist agriculture.

An upsurge is taking place in the peasants' study and application of science. The province has established 80 comprehensive scientific experimental centers jointly operated by counties, farms and communes for the agricultural modernization program. Each county has set up agricultural technical service centers. There are a large number of households in rural areas which have set themselves as examples in popularizing agricultural sciences and technology. The day-by-day popularization and upgrading of agricultural science and technology are pushing forward the change from traditional to modern agriculture.

2. Industries have mounted a road of steady development and economic returns have increased. Our province's proportion of heavy industrial was greater than others in the past and light industry was weak. Moreover, the production from heavy industry only served itself, thus, resulting in an imbalance between heavy and light industries. Over the past few years, on the premise of increasing economic returns, the province has readjusted the industrial structure in a planned manner and, proceeding from fully utilizing natural resources in the province and depending on the superiority of the machine-building industry, has vigorously developed light industry, resulting in an increase in self-sufficiency in light industrial consumer goods. The province has readjusted in a timely manner the service orientation of heavy industry and achieved new development in heavy industry by orienting it towards rendering service for light industry, technical transformation, foreign trade, the people's livelihood and national defense. In the meantime, the province has consolidated enterprises step by step and in a guided and overall manner, actively introduced economic contracting systems and has conducted, in a planned manner, technical transformation among enterprises, resulting in steady increase in industrial production. In 1982, the province's industrial output value reached 26.84 billion yuan, a 7.1 percent increase over the 1981 figure and a 30.9 percent increase over the 1977 figure. The light industrial output value scored a 66.2 percent increase and its proportion increased from 26.7 percent to 33.9 percent. The output of major products, including cotton cloth, sugar, dairy products, beer, television sets and bicycles, increased on a large scale. The production of a large number of fine quality and famous brand products was restored or developed.

In the early period of readjusting industries, heavy industry production declined, but it began to rise in 1982. The 1982 output value reached 17,738,000,000 yuan, a 6.7 percent increase over the 1981 figure. The province has scored good achievements in building energy resource industries. The coal industry has surpassed its production plan year after year. Raw coal output in 1982 reached 45,686,000 tons, a 26.6 percent increase over the 1977 figure. Construction of the power industry has been enhanced. The installed capacity of power equipment reached 3.03 million kilowatts, a 51.3 percent increase over the 1977 figure and power output reached over 14.9 billion KWH, scoring a 47.8 percent increase. The province has also scored marked achievements in saving



energy resources. In 1982, the province saved 820,000 tons of coal, 300 million KWH of electricity and 87,000 tons of fuel oil. The production of timber and crude oil has been stable. The province has achieved rapid development in the building materials industries. The 1982 cement output reached 3,211,000 tons, a 68.5 percent increase over the 1977 figure. The output of red bricks scored a nearly 100 percent increase; and plate glass and aerocrete respectively scored 125 percent and a 3.4-fold increase. The province has also scored new development in railway, highway, shipping, civil aviation, geological prospecting, mapping and post and telecommunications undertakings.

The economic returns of industry as a whole have increased somewhat. In 1982, industrial enterprises across the province whose production had been incorporated in the provincial budget scored a 6.7 percent increase in their profits over the 1981 figure and a 27.7 percent increase in profits handed over to the state. The increase in profits handed over to the state surpasses the increase in profits earned by enterprises, something unprecedented in the past few years. Thanks to the vigorous strengthening of the development of new technology and products, product quality has been somewhat upgraded. Over the past 3 years, the province's products, including industrial oxalic acid and an aluminum alloy building material won state gold medals, 42 products and construction projects won the state silver medals, 184 products have been appraised as of fine quality by the state authorities and 980 products have been appraised as of fine quality by the provincial authorities. The province has steadily increased the variety of products. In 1982, the province saw an increase of over 5,300 new products, new varieties, new standards, new style and new colors. The province has also increased, year after year, the volume of products sold at other provinces' markets.

In line with the readjustment of the proportional relationship among various sectors in the national economy, the province has curtailed the scale of capital construction projects and readjusted the orientation of investment, resulting in more effective investment. Since 1980, the province has suspended or put off 142 construction projects for metallurgical, machine-building and military industries, resulting in a savings of 2.693 billion yuan of funds for investment. The province has strongly increased investment in construction projects for light, textile, power and fuel industries and for improving the people's material and spiritual life. Thanks to the fact that state funds provided for investment in capital construction are being replaced by loans released by the construction bank, construction units have paid attention to effective investment and greatly reduced their blindness, resulting in a large amount of fine quality construction work that has been completed ahead of schedule and up to standards set in the implementation period of the first 5-year plan. Over the past 2 years, the province has strengthened the work of environmental protection and scored new development in controlling water pollution among the Songhua River and in controlling air pollution.

3. Commodity circulation has become more and more vigorous every day and foreign trade and economic interflows with foreign countries have achieved new progress. Over the past few years, commercial and service departments at all levels, focusing on the key work of enlivening markets, have adhered to the principle of emphasizing planned economy and supplementing it with regulation

by the market, further readjusted commodity mix, changed the situation in which state commercial departments monopolized all businesses and gradually established a circulation network in which the state sector of the economy plays a leading role, other sectors of the economy, various circulation channels and diverse management methods coexist and the circulation links are reduced. Urban and rural collective and individual commercial and service trades have been greatly restored and developed. Comparing 1982 to 1977, the province's collective shops increased 890 percent to 15,836, and their employees increased 530 percent to 228,000; individual shops increased 1,400 percent to 40,000, and their employees increased 1,720 percent to 56,300. This played an important part in enlivening markets and placing jobless people. Village trade fairs throughout the province increased 170 percent to 610. Following developed commodity production, the supplies of food, clothing and other commodities were fairly ample and urban and rural markets were vigorous. The 1982 commodity retail sales totaled 11.24 billion yuan, a 52.5 percent increase over 1977. Thanks to the remarkable increase in the people's purchasing power, markets dominated by buyers, who "save money to wait for the right goods to buy" instead of "rushing to purchase with the money they had" have appeared. This is a new scene we have not seen for many years. In order to expand sales of local products, we have sponsored trade fairs, sampling meetings and sales exhibitions and organized commodity sales service teams over the past few years to promote material exchanges between town and countryside. This has positively contributed to opening of new markets and development of production. In the course of consolidation, commercial enterprises have vigorously applied the management responsibility system in its various forms, thus arousing their workers' enthusiasm and upgrading their service and management. Price control has also been strengthened. We have formulated price control regulations, conducted price checkups and consolidation and thus basically kept prices stable. Industrial and commercial departments at all levels have intensified economic supervision and market management to stop some irregularities in commodity circulation, to deal a telling blow at those engaged in profiteering, smuggling and selling of smuggled goods and to enable markets to better play their regulatory function.

While helping the economy in the province to flourish vigorously, expanded economic and technical cooperation with other provinces and foreign countries. In the past few years, our province discussed with other provinces cooperation in 33 projects and has reached agreements on 6 of them. Recently we also discussed and decided on some economic and technical cooperation projects with Shanghai Municipality. Outside the country, we have established business contacts with more than 1,400 customers in more than 100 countries and regions, including Japan, and countries and regions in Southeast Asia, the Middle and the Near East, Europe, America and the Soviet border areas and maintained close relations and cooperation with compatriots in Hong Kong and Macao and overseas Chinese. Our province has entered a new period in foreign trade, beginning to handle its import and export businesses instead of merely supplying export goods as in the past. Our 1982 procurement of export commodities totaled 1.95 billion yuan, showing an increase of 71 percent over 1977, and the export sales volume totaled \$170 million, which was 13.8 times that of 1977. The variety of export commodities increased from 100 in 1977 to 516. Since 1979, we have also conducted economic cooperation and technical

exchanges with the governments or plants of more than 10 countries such as Japan, Italy, the United States, France, Denmark and Sweden. Over the past 4 years, we have used \$75 million of foreign funds, introduced 42 advanced technologies and types of equipment and signed 83 agreements on economic and technical cooperation. We have also fairly successfully fulfilled our tasks of labor export and economic assistance to developing countries. This has not only promoted our friendship with other countries and regions but also positively promoted our own economic development.

We have achieved new progress in the work on foreign affairs and tourism. Since 1979 when our Harbin City established friendly ties with Japan's Niigata City, our province has over the past 2 years established friendly ties with Alberta Province of Canada and the U.S. State of Wisconsin. Cities open to foreign tourists have increased from two to six, covering more than 40 counties. Each year we received more than 10,000 foreign tourists and tourists from Hong Kong and Macao.

4. The province has maintained a basic balance between revenue and expenditures and between credit receipts and payments and has scored fairly good achievements in increasing income and curtailing expenses. The 1982 provincial revenue reached 3.055 billion yuan, accounting for 104.5 percent of the readjusted budget. Income balanced expenditures. The 1982 financial surplus reached 16 million yuan. Revenue independently generated by the province reached 1.56 billion yuan, accounting for 109.2 percent of the annual budget, a 11.5 percent increase over the 1981 figure when calculated in terms of comparable items. The situation prevailing in credit receipts and payments has been fine. Banking departments have played an important role in raising funds, regulating currency circulation and supporting economic development. Over the past 5 years, banks have scored fairly great increases in releasing loans for capital construction, for renewing equipment and conducting technical transformation and for developing agriculture, and they have steadily increased benefits from the utilization of funds. According to the data from a study of 1,600 middle-and-short-term loans, there have been 353 projects that, in the same year, received loans, were completely built and were put into production, with additional output value worth over 120 million yuan and additional taxes and profits worth over 37 million yuan. Over the past few years, the factors reducing income and increasing expenditures have increased year after year. Some industrial enterprises have been forced to transfer their production tasks to lower levels. Agriculture has suffered declines in output because of natural disasters. The prices of a number of commodities have been cut. In the meantime, the province has shouldered the burden of 710 million yuan borrowed by the state and the burden of buying state bonds. In addition, industrial and commercial enterprises whose production falls under the budget have also retained over 870 million yuan from their earned profits. The reason why, under such a situation, we have still maintained a balance between income and expenditures over the past several years and had a little surplus is chiefly because we have adopted the measures of increasing income and curtailing expenditures, of strictly conducting financial and credit management and, particularly, of introducing financial contracting systems and that we have brought into play the enthusiasm of the people's governments at all levels, the

economic departments, enterprises and units in making efforts to earn money, to save money they have earned and to rationally spend their money.

5. The drive for building a socialist spiritual civilization has been steadily enhanced and the fronts of science and technology as well as culture and education have scored new achievements in work. While concentrating on building a socialist material civilization, we have strengthened the building of a spiritual civilization. By conducting a depth education on revolutionary ideals, morality and discipline with communist ideology at its core, we have launched the extensive activities of the "five stresses," "four beauties" and "three ardent loves" and have worked out the pledges for staff, workers and students in both urban and rural areas, the peasants' rules and the moral standards for various professions, so that the people's political consciousness and the standards of communist morality have been upgraded, new social relationships in conformity with socialist spiritual civilization have been established or further developed, profound changes in social morale are taking place and a large number of advanced units and individuals have emerged from the drive of building a spiritual civilization.

Our province has also made great progress in science and technology work. Thanks to its paying great attention to implementing the policy on intellectuals, the province has further brought into play the enthusiasm of the broad masses of scientific and technological workers. Over the past few years, the scientific and technological front, by implementing the principle of rendering service for economic construction, agriculture, industry, the people's livelihood and foreign trade, has scored a large number of important achievements in overcoming scientific and technical difficulties and conducting research for applied technology. The province has submitted to the state for appraisal 1,472 scientific research results have have been approved as qualified. Of these results, 10 of them won the state prize for inventions, 420 of them were commended by the provincial authorities and over 450 of them were up to advanced domestic and foreign standards. Over 80 percent of these research results which have won prizes have been popularized or applied to varying degrees. According to statistics, these research results have shown over 400 million yuan in output value and over 240 million yuan in additional economic returns. The close coordination between production and science and technology has played an important role in accelerating the development of economic construction. The social sciences front, by upholding the principle of integrating theory with practice, has also scored a large number of important achievements in developing major theories on the program of achieving the four modernizations and in conducting research on practical questions.

The education front has undergone very great change. The 1982 provincial enrollment rate for school-age children reached 96.3 percent. Over the past 2 years, the province has newly built or repaired over 1.8 million square meters of school house floor space. The rate of urban middle and elementary schools with two part-time sessions declined from 36.3 percent in 1981 to 26.6 percent in 1982. The province has scored new achievements in improving the secondary education structure. The number of provincial agricultural vocational middle school students accounts for 33.4 percent of the total number of senior middle school students. The number of higher educational

institutions has reached 33, and their students number nearly 50,000, a 100 percent increase over the 1976 figure. The province has greatly developed radio and television broadcast correspondence and spare time universities as well as opening more spare-time classes for staff, workers and peasants. There is a new situation prevailing in patriotic urban public health activities. The public health front has scored very great achievements in preventing or controlling endemic, infectious and occupational diseases, resulting in an obvious upgrading of the people's level of health. Mass sports activities in both urban and rural areas have developed in depth and breadth and there have been fairly good achievements in professional sports activities. In 1982, there were 48 sportsmen who broke the 69 provincial records on 95 occasions and 8 sportsmen who broke national records on 9 occasions. The province's sportsmen won 120 gold medals in various national events, and 521 sportsmen won the honor of the titles of the first 6 places. In the sphere of literature and the arts, some literary and art works have won national level prizes. Acrobatic troupes have won gold medals in international events. The fronts of journalism, cultural relics and standards and measures [Ji Liang] have scored new development and upgraded their work standards. The province has basically controlled its population growth by steadily grasping family planning work in a down-to-earth manner. Under the state's unified arrangements, the province has successfully completed the third general national census.

6. Socialist democracy and legal systems have been steadily enhanced and public security has scored a turn for the better. Over the past few years, various localities across the province have conducted extensive education on socialist democracy and legal systems, have particularly integrated this education with the campaign for studying the new constitution and various laws and have formulated local regulations and rules according to the provisions of state law, resulting in a general enhancement of the people's sense of the legal systems. In line with the principle of consolidating public security in a comprehensive way by mobilizing the forces of various social circles, the province has generally established networks for helping and educating misled youths, patrolling and assigning guards to warehouses and residential areas to prevent crimes, and mediating in civil disputes. The province has reinforced the foremost forces for handling crime by strengthening, organizationally and professionally, public security and judicial departments and by consolidating the contingent of cadres and policemen and public security organizations at grassroots levels. Forstering close cooperation between them and acting strictly in accord with the law, political and judicial departments have strictly punished, according to the law and in a timely manner, serious criminals and economic criminals, resulting in the publicizing of legal systems, frightening criminals and educating the people. Public security has scored a turn for the better and the crime rate has markedly declined. The crime rate in 1982 was 13.8 percent below the 1977 figure. Waging the struggle against bad elements and evil deeds, a large number of model cadres and policemen and heroic individuals have emerged from the work of consciously safeguarding social peace and order. All in all, social peace and order in both urban and rural areas have improved day by day and the people's sense of well being has been strengthened. All of this has ensured the smooth progress of economic construction.

The province has enhanced border defenses and war preparedness. The provincial military district and the PLA units stationed in the province have made marked contributions to defending the border areas and supporting local construction, while strengthening the work to revolutize, regularize and modernize the armed forces. The PLA units stationed in the border areas have also made marked achievements in waging a struggle against infiltrators and defectors. Both urban and rural areas across the province have further strengthened unity between the army and the government and between the army and the people by launching extensive activities for supporting the army and giving preferential treatment to servicemen's families, as well as for supporting the government and cherishing the people and by actively making job arrangements for retired or demobilized armymen. By implementing the principle of integrating peace-time with war-time work, the people's air defense departments throughout the province have achieved new developments in conducting maintenance of air defense facilities and in utilizing existing facilities.

With developed production, the people's living standards have improved. Following the principle of "first feeding the people and second engaging in construction," we have relied on state investments and potential forces tapped in various quarters to increasingly improve the people's living standards since the third plenary session and have thus made up for some of what we owed the people in the past. Despite serious economic difficulties, the province has allocated 3.32 billion yuan to improve the people's lives over the past few years. This figure represents 26 percent of total investments in capital construction, and equals the total amount of investments earmarked for this purpose in the previous 26 years. Urban public utilities and commercial facilities and the people's housing conditions have been gradually improved and strengthened. Since 1979, the province has built 13.11 million square meters of housing for 262,000 worker families. Thanks to rises of some staff's and workers' wages on three occasions, thanks to various bonus systems and the placement of 1.95 million urban jobless people, actual income of worker families has remarkably increased. The province's 1982 wage bill was 5.8 billion yuan, increasing by more than 100 percent over 1977. Peasant income has increased every year. Despite a decline in agricultural production resulting from natural adversities, per capita peasant income was 197 yuan in 1982, 68 yuan more than in 1977. In urban and rural areas, there has appeared an encouraging situation in which more expensive commodities and modern furniture are being purchases, more money is being saved and more new houses being built in rural areas.

In the final analysis, the aforementioned achievements in the province's socialist construction scored over the past 5 years are attributable to our resolute implementation of the party's line, principles and policies adopted since the Third Plenary Session of the 11th Central Committee under the leadership of the CPC Central Committee and the State Council, and are attributable to the workers, peasants, intellectuals, cadres, PLA commanders and fighters, various democratic parties, mass organizations, personages of various nationalities and of various circles and returned overseas Chinese throughout the province who have trusted and supported the government's work and have worked hard and united as one to fight at their work posts. In carrying out the provincial government's work, we have sought truth from facts,

proceeded from reality, implemented the party's principles and policies in line with local conditions and maintained unity politically with the Party Central Committee. We have persistently set things aright, destroyed the old and created the new and conducted a series of reforms in the course of the economic readjustment. We have acted perseveringly in accordance with the objective economic law and put all economic work on the footing of improving the economic results. We have paid simultaneous attention to the socialist material and spiritual civilization and intensified the ideological and political work, centering on the communist education. We have persistently improved organs of political power, strengthened and improved government work and given full play to the role of all administrative organs in the four modernizations drive. We have gone to reality of life, conducted investigations and study, summed up experiences in a timely manner and effectively strengthened leadership over economic work. These are the important reasons for our achievements scored over the past few years and are our major experiences.

Although we have achieved great results in our work, we still have many difficulties and problems on our road of advance. The economic readjustment, the economic management system and the reforms in various fields still lag far behind the demands of the developing situation. In particular, we fail to investigate, study and solve, in a timely manner, the new situations and new problems arising in implementing the production responsibility systems, and the economic responsibility systems. Farmland improvement projects are being developed slowly, the capability to combat natural adversities is poor and, due to the extremely big disasters which hit agriculture for 2 years, many localities still have actual difficulties in production and the people's lives. Energy, communication and transportation are strained and the supply of some raw materials and building materials is insufficient. Some enterprises have rather low management and technical levels, many products are poor in quality but expensive and, therefore, lack a competitive edge, and overstocking of products is serious. Some circulation channels are clogged and rural markets in the province are yet to be opened. The economic results in production, construction and circulation are rather poor. Science and education fail to meet the needs in the economic development. A fundamental turn for the better is yet to be achieved in public security. What we have owed the people in improving their lives is yet to be made up. In controlling prices, we fail to exercise administrative interference and give economic sanctions to some localities and units which, having an eye to their own partial interests, violated state regulations to raise prices arbitrarily or in a disguised form and embezzled the masses and which the masses are dissatisfied with. Government organs still have the problem of organizational overlapping, overstaffing, buck-passing, and low work efficiency. These demand that we earnestly sum up experiences and lessons, further improve and strengthen government work, arouse ourselves, advance with a pioneering spirit and carry out our future work still better.

The Second Part Is on Future Work and Tasks.

The party's 12th National Congress decided on the strategic objective, strategic priorities, and strategic steps of the country's economic construction,

set forth the strategic principle of striving to build the socialist spiritual civilization simultaneously with the socialist material civilization, and demanded that, while continuously working for better economic results, the country's annual industrial and agricultural output value be quadrupled by the end of this century, the total national income and the output of major projects be placed in the advanced world ranks, and the people be comparatively well-off materially and culturally. This is a new situation and new tasks face the people. According to this strategic objective set forth at the 12th National Party Congress and in view of the situation of our province, we have worked out a preliminary plan for increasing our industrial and agricultural output value to 150 billion yuan by the year of 2000. This figure will be 350 percent more than that of 1980 and will enable us to fulfill the quadrupling objective ahead of schedule. By that time, per capita national income will reach 1,900 yuan--225 percent more than the 1980's 588 yuan--and the per capita level of the production of most consumer goods will substantially increase and the people will become comparatively well-off. This is an encouraging objective. The people throughout the province and governments at all levels should work hard for the fulfillment of this grand objective.

We should take two steps to quadruple the industrial and agricultural output value. In the first 10 years, we should concentrate efforts on laying a solid foundation, accumulating strength, and creating favorable conditions. In the second 10 years, we should enter a new period of economic development. The Sixth 5-Year Plan we are carrying out is an important step taken to lay a solid foundation. In the first 2 years of these 5 years, we have already achieved good results. The tasks for some time to come are: comprehensively implementing the guidelines of the 12th National Party Congress and the Fifth Session of the Fifth NPC; continuing the principle of readjusting, restructuring, reorganizing, and upgrading; simultaneously strengthening the economic construction and the spiritual civilization which take the reform as an impetus, emphasize better economic results, and cover the construction of the "five bases"; strengthening democracy and the legal system; strengthening the organ of state power; striving to fulfill the Sixth 5-Year Plan; achieving a fundamental turn for the better in the financial and economic situation, in social conduct, and in public security; and laying a solid foundation for the Seventh 5-Year Plan and for quadrupling the industrial and agricultural output value by the end of the century.

#### 1. Greatly Strengthen Socialist Economic Construction.

Economic construction is the foundation of all other work and is the objective needed to develop socialism. Only with developed economic construction can we lay a good foundation for socialist modernization. Therefore, in our efforts to create a new situation in all fields of socialist modernization, the top priority task is to continuously promote economic construction.

1) We should continue economic readjustment and accelerate economic construction. During the foreseeable future, we should continue readjusting the economy. We should rely on policies and science to restructure agriculture and energetically develop cash crops and diversified undertakings while never slackening grain production. Efforts should be made to speed up farmland



capital construction in order to enhance our capacity to combat natural adversities, improve low-yield fields, raise per-mu yields, properly reclaim wasteland and guarantee high and stable yields. We should develop farm mechanization in line with local conditions and produce more farm machines which can be combined to work as complete sets. We should develop mountainous areas at a quicker pace, make the best use of the superiorities of mountainous areas and promote the economy of these areas as soon as possible. Our agricultural output value should reach 10.5 billion yuan this year, 12.3 billion yuan by 1985 and 40 billion yuan by the year 2000. Our grain output should reach 30 billion jin this year, exceed 31 billion jin by 1985 and reach 45 to 50 billion jin by the year 2000. We should expand cash crop production in a planned manner in line with our processing capacity and market needs. In forestry production, we should implement the principle of emphasizing forest management and combining lumbering and breeding and strive to ensure that more trees survive and are preserved. We should afforest 4 million mu this year and strive to increase our afforested areas to 20 million mu by 1985 and to 70 million mu by 2000. In animal husbandry, we should greatly expand hog raising while ensuring sustained increases of cattle, sheep and poultry.

In industry, we should further adjust the proportion between light and heavy industries and maintain a definite speed of growth on the premise of improving economic results. This year we plan to increase our industrial output value by 5 percent over last year to make it reach 28.16 billion yuan, and we should strive to increase it to 31.4 billion yuan by 1985 and to 110 billion yuan by 2000. It is necessary to continuously bring into play in light industry our province's superiority in natural resources. On the premise of turning out products that have enjoyed brisk sales and of ensuring ample supplies for markets, all-out efforts should be made to develop the production of processing grains, soybeans, tubers, sugar, paper, milk, leather, flax, wool, silk, chemicals and timber and to develop daily consumer goods which reflect the province's characteristics. Along with the gradual proportional restoration of heavy industry, efforts should be made to further implement the principle of "six priorities" so as to maintain a steady increase in light industry. The province plans to achieve 9.55 billion yuan this year in its light industrial output value, and to strive to reach 10.4 billion yuan in this regard by the end of 1985, and 51 billion yuan by the end of this century. The province has scored fairly great developments in edible sugar, beer, dairy products, textile goods and foodstuffs. We should further readjust the service orientation of heavy industry and its product mix so as to enable heavy industry to actively render service to various sectors of the national economy, particularly to light industry. The province plans to achieve 18.62 billion yuan this year in heavy industrial output value, and to strive to reach 21 billion yuan by the end of 1985, and 59 billion yuan by the end of this century. In line with social needs, we should organize in a planned manner production increases in steel, steel products, chemical fertilizers, machinery, electronic products and building materials such as cement, plate glass, red brick and coarse aggregate. We know that energy resources and transportation are two extremely weak links in the country's national economy. Under the state's support, we should strive to accelerate the building of power plants and mines, to achieve 45.2 million tons of coal output by the end of 1985 and to reach 85 million tons by the end of this century. We should strive to achieve

18.6 billion kwh of power output by the end of 1985 and to reach 68.6 billion kwh by the end of this century. We should actively conduct reforms in bottleneck railway sections and pivotal stations so as to upgrade transport capacity. The province plans to achieve 128 million tons in rail freight volume by the end of 1985 and to reach over 240 million tons by the end of this century. The province plans to achieve 22.82 million tons in highway freight volume by the end of 1985 and to reach over 350 million tons by the end of this century. It is necessary to score still greater achievements in conserving energy. Only by fulfilling the above mentioned targets can we relax the tight situation in energy supply, communications and transportation.

In the capital construction sphere, it is necessary to strictly curtail investments and to vigorously do a good job in building key projects and conducting technical transformation among enterprises. The province plans to invest 3.31 billion yuan in fixed assets this year, (including 650 million yuan for conducting technical transformation in the 341 projects covered by the budget). During the implementation period of the Sixth 5-Year Plan, the province plans to invest 11.4 billion yuan in capital construction, to arrange 52 large- and middle-scale projects for newly building or expanding collieries, power plants, oil fields, transport facilities, agricultural facilities and light, textile and building material enterprises and to make overall arrangements for small-scale projects and for the work to conduct technical transformations among enterprises. If investments are fulfilled, the province may increase its coal production capacity by 6.43 million tons, its power installed capacity by 1.05 billion kw, its crude oil production capacity by 14.5 million tons, its new railways by 186 km and its new supplementary railways by 244 km. The province may also undergo a very great change in the production of light, textile, chemical, machinery and building material industries, in the production of agriculture and forestry, in the work of water conservancy, in urban construction and in the undertakings of social welfare facilities, science, education, culture, public health and sports. In particular, the construction of a polythene plant with an annual production capacity of 300,000 tons will not only provide organic materials for the chemical industry and turn out chemical fibers and plastic material, but will also give impetus to developing the light, textile and chemical industries in the province. If this project is completely built, our province will increase the coordination rate of chemical industrial products from 20 percent at present to 60 percent and the self-sufficiency rate of these projects from 30 percent, at present, to 70 percent. The province will also score fairly great development in textile goods, knitwear projects and plastic products and will increase on a large scale the variety, style and color of products. The province will undergo an obvious change in market supply and greatly increase economic returns. The construction of this key project has a vital bearing on developing the national economy in the province and on the program of achieving the four modernizations. We must concentrate on completing this project with good quality and on schedule.

Further raising the educational level and the scientific and cultural level of the people across the province is important for ensuring the building of the two civilizations. Investment in intellectual capability development should adapt to economic construction. This year, our province's allocations for

allocations for education and scientific research will be more than those in the previous year. We should use these allocations in a reasonable manner and strive to achieve success in all undertakings. We should vigorously develop the educational undertakings of various types and levels, continue to readjust the educational structure, strengthen the building of teachers' ranks and improve teaching quality. In terms of institutions of higher learning, it is planned that this year some 500 postgraduate students will be enrolled. By 1985, the student body will come to 2,000 and in the 5 years covered by the Sixth 5-Year Plan period, a total of 1,615 students will graduate from these institutions. With regard to regular senior schools, this year some 12,000 students will be enrolled. By 1985, the student body will reach 48,000 and a total of 60,000 students will graduate in the 5 years covered by the plan. Regular secondary vocational education should be developed in a planned way. We should further strengthen preschool education, continue to make primary school education universal, properly develop junior middle schools, actively develop secondary vocational schools serving agriculture, energetically develop adult education and eliminate illiteracy as soon as possible. The two-shift system of primary and middle schools should be basically cancelled by 1985. Science and technology are the key to accomplishing the four modernizations and therefore should be vigorously developed in the future. This year and in the next few years, we plan to put into wide use the verified results of 20 scientific and technological research projects in agriculture, industry and communications. To meet the needs of economic and social development, we should tackle 32 major problems in scientific and technological research projects. Meanwhile, we should conduct research in a planned way on the basic theories of Marxism, economic issues, social problems, local history and six other aspects of philosophy, and social science.

Financial trade should be developed continually and the people's living conditions further improved. In line with the principle of maintaining a basic balance between revenue and expenditures with a small amount of surplus, the 1983 target for revenue is planned at 2.665 billion yuan, and in 1985, this target is planned at 3.2 billion yuan. The 1985, at 3 billion yuan. The 1983 total retail sales value is planned at 12.5 billion yuan, and the 1985 figure is planned at 15 billion yuan, an average annual increase of 10.1 percent. This year, the volume of commodities procured for export is planned at 2.1 billion yuan and in 1985, at 3.06 billion yuan, an average annual increase of 13.5 percent. The 1983 export volume is planned at \$185 million and in 1985, at \$372 million, an average annual increase of 30.6 percent. Through the Sixth 5-Year Plan period, a total of 1.99 million people will be provided with jobs through development of the state economy, the collective economy and the individual economy. By the end of 1985, all the new laborers in the urban areas of the province will be basically settled. The total sum of wages for workers and staff members will reach 6.78 billion yuan in 1985, an average annual increase of 6.5 percent. In 1981 and 1982, the wages for workers and staff members on the educational, public health, sports and scientific and technological fronts as well as of some state functionaries were raised. In 1983 and over the next 2 years, the wages of the rest of the workers and staff members will be gradually increased, and the reform of the wage system will begin. It is planned that per peasant net income will increase from 165 yuan in 1980 to 250 yuan in 1985, an average annual increase of 8.7 percent. In the 5 years

covered by the plan, some 21 million square meters of residences will be built in the urban areas, 8 million square meters each year; some 40 million square meters of residences will be built in rural areas, 8 million square meters each year. In this way, living conditions for households having no residences and households living in a crowded manner will be improved. It is planned that the people's level of consumption will reach 420 yuan in 1985, an average annual rise of 5.8 percent. Consumption mix will be changed greatly and the proportions of cultural and service consumption will be increased. In the urban areas, large and medium-sized cities in particular, vegetable production should be regarded as an important issue, and principle leaders of governments should engage in this work personally. It is necessary to implement the principle of "focusing on vegetable production, while developing the production of other non-staple foods" and the principle of "production slightly surpassing marketing." It is also necessary to ensure planned planting and marketing of vegetables so as to meet the needs of the people in the urban area. In the course of readjusting the national economy, attention should be paid to building the border areas and to further developing economic scientific, educational cultural and public health undertakings.

2) We should conscientiously carry out various reforms of the national economy and strive to enliven the economy. To develop the four modernizations, it is necessary to carry out a series of reforms. Reform should run through the whole process of the four modernizations drive. This is an important guiding ideology for the four modernizations. In line with the practical situation, we should carry out reforms in a systematic, resolute and orderly manner as well as in a well-guided and planned manner. Through experiments, reform should be carried out by stages and in groups. We should enliven the economy by carrying out reform.

We should adhere to the principle of relying mainly on the planned economy and supplementing it with market regulation. In the past few years, we have carried out market regulation in the course of readjusting the economy and this has played a certain role in promoting production and enlivening the economy. However, we should not make regulation by the market contradict the planned economy. Destroying the planned economy will certainly sabotage the national economy as a whole. In agricultural production, after instituting the system of contracted responsibility with payment linked to output, all production plans and procurement plans, including the plans for state monopoly of purchases and compulsory purchases, should be observed. At the same time, negotiated purchasing can be carried out to make up for deficiencies in the plan. With regard to industrial production and commodity circulation, production should be procured in accordance with the plan to meet social needs. At present, a noticeable problem is that some enterprises have engaged in free production and free purchasing in violation of the plan after they implemented the economic responsibility system. This is a reflection of bourgeois liberalization in the economic work and thus must be conscientiously overcome. Of course, to stress the planned economy does not mean to negate the role of market regulation. The planned economy is the dominant factor and market regulation must be carried out under the plan.

We should further popularize various forms of the economic responsibility system. In the rural areas, we should further stabilize and improve various forms of the system of contracted responsibility with payment linked to output. New situations and new problems which have cropped up in the course of implementing the agricultural production responsibility system should be conscientiously solved. We should correctly handle relations between unified and separate management, and neither should be overemphasized at the expense of the other. The system of contracted responsibility with payment linked to output should be implemented in specialized and socialized services. With a vast territory, our province must combine the system of contracted responsibility with payment linked to output with the mechanization of agriculture, utilize the surplus labor force to develop diversified undertakings and, in particular, vigorously support the development of various kinds of specialized brigades, groups and households and households engaging in specialized jobs besides crop cultivation. At present, industrial and commercial enterprises should conscientiously prepare for the work of substituting taxes for the delivery of profits. After substituting taxes for the delivery of profits, enterprises should continue to improve various forms of the economic responsibility system. The reform of the systems in the fields of scientific research, education, labor, wage and labor protection welfare projects should be developed in a stable and sound manner.

We should conscientiously solve the problems of over-centralized power and over-rigid control. Handling well the relationship between centralization and decentralization is a major issue for raising economic results. That power in economic work is over-centralized in administrative leading organs and that regulations and systems are unsuitable for production development are major disadvantages which affect and hinder the development of production. We must reform the superstructure and production relations so as to gradually solve the problems of over-centralized power and over-rigid control. The provincial people's government should assign power to lower levels in a planned way and step by step so as to enable all localities, departments and various kinds of economic organizations to truly combine their duties, rights and profits. For enterprises, it is necessary to gradually reform the leading system while further reforming the managerial system so as to expand the autonomy of enterprises. Big enterprises must be controlled by the state, and small enterprises must be given a free hand in their work. On the basis of investigation and study, all city, county, district and township governments should assign part of their power to grassroots units, step by step.

We should firmly regard the state economy as the leading factor and make great efforts to develop a diversified economy. Practice since the 3d Plenary Session of the 11th Party Central Committee shows that regarding the state economy as the leading factor, vigorously developing the collective economy and giving full play to the supplementary role of the individual economy are important ways to develop social productive forces, enliven the economy and accelerate the building of socialist modernization. From now on, we should continue to implement this principle, further develop the collective economy and encourage the individual economy. Support and guidance should be given in the fields of policy, systems and work and the practice of squeezing out and striking blows is forbidden. New experiences and problems cropping up in the

course of developing the collective economy, the urban collective economy in particular, and the individual economy must be summed up and solved in a timely manner.

It is necessary to break barriers between town and country, between higher and lower levels and between different departments or regions, to tighten the ties between urban and rural areas and to open more markets in both urban and rural areas. Industrial and agricultural production is the principal part of the national economy, and circulation links are ties between production and consumption and between urban and rural areas. Success or failure in organizing commodity circulation has a direct bearing on the realization, scale, speed and benefit of industrial and agricultural production. Therefore, we should judge the situation as a whole by looking into commodity circulation, improve the situation as a whole by invigorating circulation and should, in a down-to-earth manner, enliven circulation links. It is necessary to adopt effective measures for strengthening business information in markets where sales have been dominated by buyers, to actively increase products of fine quality, fair price and brisk sales and to stabilize the development of these products so as to maintain the prosperous trend of markets.

It is necessary to conduct reform in commodity circulation systems in rural areas and to newly establish and expand rural markets. Resolute efforts should be made to solve the problems of multiple transaction links and blockages in circulation channels so as to purchase and transport in a timely manner rural farm and sideline products and to deliver in a timely manner urban industrial products to rural markets. Efforts should be made to encourage urban plants and rural supply and marketing cooperatives to foster close cooperation in supplying and selling products within the province so as to further develop the joint production and sales among agriculture, industry and commerce (with supply and marketing cooperatives playing the main role). Along with the program of building small townships in rural areas, it is necessary to actively develop joint transactions between agriculture and commerce so as to gradually establish comprehensive service centers in charge of supply, marketing, processing, storage, transport and technical guidance and to build small townships into commodity collecting and distributing centers with their main tasks being purchasing and transporting rural farm and sideline products and selling urban industrial products. Efforts should be made to develop these centers into a network so as to invigorate the rural economy and to enliven broad rural markets.

It is necessary to separate economic activities of enterprises from their administrative management so as to solve the problem of administrative work covering all activities. In carrying out business, enterprises should be relatively independent because they are socialist economic organizations. However, owing to the existence of economic systems and managerial affairs that have not been totally reformed, the administrative departments among enterprises still dominate economic activities and they monopolize many economic affairs. Such a confused phenomenon has resulted in the separation of economic benefits and duties and between economic activities and management. We must conduct reform in this regard, gradually separate administrative management from enterprise economic activities, give more decision-making rights to enterprises

and enable enterprises to truly be socialist economic units which are relatively independent. Efforts should be made to further improve the organizational forms of enterprises and, in line with the demand for fostering specialized technical coordination and the needs of production development, to develop various types of economic integration so as to rationally organize enterprises in various fields. It is necessary to improve commodity circulation systems in which there have been tardy sales, few circulation channels and multiple transaction links and to establish commodity markets with multiple circulation channels and few transaction links. By depending on major cities, efforts should be made to establish various economic centers and to rationally organize economic zones. It is also necessary to carry out corresponding reforms in managerial affairs among departments of planning, finance, banking, material supply and labor affairs. In conducting reforms in this regard, it is necessary to gradually orient in an economic direction administrative measures of enterprise management and to try hard to do things according to economic laws. Of course, what we have stressed on adopting economic measures in managing enterprises does not mean that we will thoroughly get rid of administrative measures. Administrative interference and ideological and political work should be further strengthened when it is necessary.

It is necessary to implement the principle of upholding material benefits and to correctly deal with the relationship of interests among the state, the collective and individuals. Material benefits consist of the interests of the whole and partial interests and of long-term and immediate interests. Therefore, in introducing economic contracting systems, particularly after replacing profit delivery with payment of taxes among state enterprises, we should be determined to correctly deal with the relationship of interests among the state, the collective and individuals. In distributing economic profits, it is necessary to uphold the principle of giving first priority in sharing profits to the state, next to collectives and third to individuals. We must safeguard the rational benefits of enterprises and control and readjust their excess and unreasonable benefits. While issuing bonuses to staff and workers, we must adhere to the principles of to each according to his work and of meting out awards for those who work hard and punishment for those who are lazy and combat the equalitarianism of giving bonuses to all regardless of their work performance and the practice of employing trickery to infringe on the interests of the state. The relations of responsibility, rights and profits of enterprises must be properly handled. We must give enterprises not only "flexible power" but also "impetus" and stimulate them to strive for better operations, management and economic benefits.

We must be resolute in overcoming the bureaucratic way of doing things. Economic work is an organic whole because its links are closely related with each other. This requires us to work more meticulously. At present, some localities and departments have done sloppy work, failed to clearly understand the situation, to adopt various measures, and to exercise effective leadership over their work, and they handle affairs in a seriously bureaucratic style, thus adversely affecting industrial and agricultural production and the whole of economic work. We must leave the offices and go to the masses to find out and obtain first-hand information and from this find ways to solve problems. It is necessary to find out the laws of managing the economy, organizing production

and carrying out scientific research, continuously raise the level of leadership techniques and work and fundamentally solve the problem of bureaucratic workstyle.

3) Strive to improve economic benefits and give priority to carrying out enterprise consolidation and technical transformation in a step-by-step manner. Many provincial economic targets not only lag behind the average national level but also the province's best record. In 1982, the amount of taxes and profits accrued from every 100 yuan of fixed assets and circulation funds of industrial enterprises covered by the provincial budget was only 47 percent of the average national level, and the number of days for the turnover of fixed-quotas circulation funds was 65 days behind the national level. More than 700 enterprises suffered deficits. All commercial enterprises in the province suffered deficits. This situation shows that poor economic benefits remain a prominent problem in our province's economic development and that our potential for raising economic benefits is still very great. Therefore, we must exert continued efforts to comprehensively carry out enterprise consolidation in line with the demands of the State Council and with the spirit of reform. In the course of consolidation, we must persist in scaling heights, set strict demands, attend to consolidation of leading bodies, improve the economic responsibility systems, reform the structure of organizations, improve product mix and technology and realistically solve problems so as to improve the backward situation in enterprises.

One of the important points in raising economic results is to stop enterprise deficits and to enable them to make profits. We should consider ending the deficits of large enterprises that affect the financial situation of the province as our strategic emphasis, organize forces to conduct analysis in each and every money-losing enterprise, study ways and measures to turn deficits to profits, encourage leading cadres of all trades, competent bureaus and enterprises to implement the task on ending deficits by instituting the economic responsibility system, clearly define responsibilities and set a deadline for ending deficits. We must adopt resolute measures and set a time limit for solving problems of money-losing enterprises related to blind expansion, duplicate construction and dislocation in production, supply and marketing.

Striving to make effective use of funds is one of the important ways to improve economic results. In carrying out capital construction projects, we must carry out economic and scientific appraisals and must not conduct blind projects or "three sided" projects [san bian gong cheng], not extend the capital construction front and not leave projects unfinished.

We must concentrate our financial and material resources and manpower on fighting a battle of annihilation. All planning and financial departments and construction banks must exert joint efforts to control the volume of investments in fixed assets. At the same time, they must also control the appropriation of circulation funds of enterprises. We must try out the floating interest rate system in line with the turnover of funds of enterprises and link the amount of interests paid by enterprises with the funds retained by enterprises for special purposes. Production costs must remain unaffected. All enterprises must improve operations and management, strengthen capital construction and



rigorously enforce the economic accounting system so as to markedly improve economic results.

Centering on conducting technical transformations step by step among existing enterprises is a strategic measure for increasing economic returns. Along with the development of modern production, it is necessary to newly establish or expand enterprises whose products are in short supply. Practice has shown that enterprises that have laid a new technical foundation and increased production capacity through technical renovation can save more investment than newly-built enterprises, can rapidly achieve the desired results and can achieve higher economic returns than new ones. Therefore, we must be determined to follow this road. Four current work stress in conducting technical transformation and renewing equipment should be laid on conserving energy resources and raw materials and upgrading product quality. Efforts should be made to extensively adopt domestic and foreign advanced technology and equipment so as to increase the production capacity for products that are in short supply, to increase the variety of products, to improve product quality, to strengthen the competitiveness of products and to increase economic returns. Light and heavy industries across the province should, proceeding from reality, map out plans for conducting technical transformation. Efforts should be made to define the targets of technical renovation and to complete, one by one, the projects covered by the technical renovation plans. It is necessary to closely integrate technical renovation with technical research, technological imports and industrial consolidation, reorganization and integration; with mass technological innovation activities; and with rationally utilizing material resources and comprehensively controlling environmental pollution so as to upgrade enterprises' productive technology to a new level. All funds appropriated for technical renovation should be well controlled in a down-to-earth manner and cannot be diverted to any other purpose.

4) It is necessary to adopt an open policy toward outside provinces and countries and to foster extensive economic and technical coordination. We should further widen our field of vision and our contacts with outside provinces and countries and carry out economic and technical coordination so as to accelerate the pace of making technical progress in the province. In conducting economic and technical coordination with fraternal provinces and municipalities, we should, under the guidance of the state plan, uphold the principle of reciprocal treatment; bring into play the superiority of their economy, technology and material resources; exploit strong points and avoid shortcomings; mutually give a helping hand; and foster close cooperation. Moreover, we should establish a long-term and stable relationship with them. In conducting economic and technical coordination with foreign countries, it is necessary to steadily open new paths on the basis of consolidating existing channels. Under the unified arrangements, it is necessary to actively utilize foreign investment and to introduce advanced technology and equipment. Efforts should be made to further develop tourism.

5) It is necessary to strengthen the control of market prices and to continuously maintain the basic stability of commodity prices. The stability of market prices is an important part of achieving social stability and unity. We should integrate the centralized leadership over markets with efforts to bring

into play the role of multiple forms of the economy, multiple circulation channels, and multiple forms of transactions so as to truly create a situation in which markets are well but not rigidly, managed and are brisk and in good order and to continuously maintain the prosperity and stability of socialist unified markets. It is necessary to resolutely implement the principle of maintaining basic stability in commodity prices. The industrial, commercial, and price management departments should enhance their inspection and supervision over market prices and should never allow small collectives and individuals to damage consumers' interests for their private purposes by employing trickery and illegally raising prices. Efforts should be made to safeguard the normal order of markets. Retailers who have licenses should carry out their business operations in areas set forth by the provisions and should have price tags on their commodities. Except for commodities whose prices are open, the retail prices of all other commodities can be negotiated only downwards. It is necessary to resolutely block retailers without licenses and blackmarket activities and to strictly block retailers who have illegally purchased commodities in short supply from stores and then resold them for profit. Those who have committed serious mistakes should be dealt with strictly.

6) We should conscientiously carry out family planning and strictly control population growth. Family planning is a basic policy of our state and has bearing on the building of the socialist material and spiritual civilization and on the long-term interests of future generations. Therefore, we must pay great attention to family planning work. In line with the national plan for population growth, this year we must keep our province's population growth rate within 15 per thousand, and the total population within 33.23 million. By 2000, our population must be controlled under 38 million. In the next 17 years, the average population growth must be controlled under 10 per thousand. To attain this goal, we must conduct propaganda and education in an unremitting, extensive, penetrating and painstaking manner so as to achieve success in family planning. The great number of the masses--broad masses of commune members in rural areas, in particular--should be educated to overcome the idea of regarding men as superior to women and thoroughly break with outmoded customs and feudal ethics. At present, special attention should be paid to protecting baby-girls and women who have given birth to baby-girls so as to ensure smooth progress in family planning work.

7) We should conscientiously engage in current production so as to fulfill all items of work. A thousand-li journey is started by taking the first step. To fulfill the task for economic construction in the future, we must achieve success in current work. Since the beginning of this year, the general situation of our province's economy has been good. All plans for agricultural production and sowing have been accomplished, preparations for various items of production have been better than those in the previous year, wheat sowing has drawn to an end and the sowing of field crops has gradually begun. There has been a stable increase in industrial production, and the production level in the first quarter of this year increased by 5 percent over the corresponding period last year. There has been ample supply of commodities on the market and retail sales have continuously increased. New progress has been made in the work on other fronts. However, in the course of production, some problems

some problems which cannot be neglected have emerged: at present, the most serious problem is the spring drought. A total of 30 million mu of land has now been stricken by drought. During the spring sowing period, the drought will become more serious. There are signs of decline in light industry. The sales volume of durable consumer goods is beginning to decline, and many commodities continue to be overstocked. In addition, there is a drop in revenue. Therefore, we must concentrate on current production and various work tasks.

Agriculture is the foundation of the national economy, and, thus, we must attach importance to this year's agricultural production. All localities should truly strengthen their leadership over agricultural production, continue to stabilize and improve various forms of the system of contracted responsibility with payment linked to output, and give support to poverty-stricken areas and to poor households. It is necessary to guarantee that all farmlands be sown with crops in a timely manner and in line with plans. We should spare no effort in combating the spring drought, preventing spring waterlogging and windburn, and waging resolute struggles against natural calamities. All professions and trades should vigorously support agriculture and transport the needed means of production and livelihood to the rural areas in a timely manner so as to contribute to reaping a bumper agricultural harvest this year. Industrial departments should comprehensively implement the guidelines of the national industrial and communications work conference, actively solve the problems which have cropped up in the course of implementing the economic responsibility system, try every means to expand the marketing of products, earnestly solve problems in linking up production, supply and marketing, and relieve the strain on coal and electricity supply and on transport so as to fulfill or overfulfill this year's plans. All other quarters should make proper arrangements for the current work so as to have all tasks develop in an orderly manner.

## 2. Strengthen the Building of Socialist Spiritual Civilization.

In the course of building a high-level material civilization, efforts should be made to build a high-level socialist spiritual civilization. This is a strategic principle for building socialism, and we must pay attention to it.

1) We should strengthen ideological and political work and exert ourselves in conducting education in communist ideology. This is the key to building a socialist spiritual civilization as well as an important guarantee for building a material civilization. We should penetratingly conduct education in communist ideology, train the people to gradually become laborers who have lofty ideals, morality, and rich knowledge and who observe discipline, establish and develop new types of social relationships which embody socialist spiritual civilization, and ensure the correct development of the four modernizations. Under the new historical conditions, ideological and political work should center on economic construction. In light of the masses' ideological situation, we should conduct education on patriotism, communism, the four basic principles, the current international situation, and in the party's principles and policies. Strengthening ideological and political work is an important task for governments at all levels. In particular, all leading comrades should engage in ideological and political work with a high sense of political

responsibility. In conducting ideological and political work, we should adhere to the principle of integrating theory with practice, and combine ideological awareness with the work of solving practical problems for the people so as to score achievements in developing ideological and political work.

2) We should penetratingly conduct the "five-stress, four-beauty and three-love" activities and strive to effect a turn for the better in social conduct and habits. Conducting these activities is important for building a socialist spiritual civilization as well as an effective measure for achieving a fundamental turn for the better in social habits and public security. On the basis of the achievements which have already been scored, we should further mobilize and organize the people across the province to actively plunge into these activities so as to regularize and systematize them and make new progress in this regard. In line with the special features of weather in our province, we should continue to launch the "all-people civility and courtesy month campaign," in April and May and consolidate and expand the achievements scored in eliminating "dirtiness, disorderliness and poor service." In urban construction, the masses should be encouraged to plant trees around their own houses, to repair the roads in front of their houses and to cooperate with others to do good turns. It is necessary to further improve environmental sanitation and set off an upsurge of voluntary tree-planting activity. It is necessary to further consolidate urban traffic order and public order, to improve the appearance of factories and the attitude of public service and to actively carry out emulation activities in order to set examples of fine quality service, fine order and a fine and beautiful environment. By launching the activities of "recalling former shortcomings, presenting facts and carrying out comparisons," we should generally conduct education on the "three ardent loves" and on occupational morality so as to enable everyone to study hard and work earnestly for the prosperity of the socialist motherland.

Launching the activities of "five stresses," "four beauties" and "three ardent loves" is a big event in improving social morale and transforming the country. The people's governments at all levels, particularly leading cadres, should enthusiastically organize or join these activities of long-term significance. They should make strict demands on themselves and set examples for the people in carrying out these activities. We should never be slack in our work in this regard and should refrain from conducting the work perfunctorily and superficially. It is necessary to make all-out efforts to organize in a down-to-earth manner the emulation drive of "five stresses," "four beauties" and "three ardent loves." Along with the emulation drive, it is necessary to carry out in depth and on a long-term basis the activities of "building units and households where civility reigns and being civilized citizens."

3) It is necessary to conduct education on combating corrosive influences so as to upgrade the people's ability to resist corrosive influences. Efforts should be made to integrate the drive of dealing blows to economic crimes and serious criminals in other circles with efforts to conduct education among the masses on combating corrosive influence of capitalism, particularly among young people. This is an important part in enhancing communist ideological education and an important task in building socialist spiritual civilization. We should clearly note that the anarchism and extreme individualism raised by the Lin Biao

and Jiang Qing counterrevolutionary cliques during the 10-year turmoil have deeply poisoned a number of people. Over the past few years, we have lagged behind in conducting ideological political work and adopting necessary managerial measures, while vigorously enforcing an open-door foreign policy and invigorating the domestic economy, resulting in an increase in corrosive capitalist ideas and bourgeois living styles and in relatively serious bourgeois liberalist trends in various fields of social life. Only by resolutely dealing blows at economic crimes and combating corrosive capitalist influence can we successfully build a socialist spiritual civilization. Various localities and units across the province should apply both positive and negative typical cases and adopt various measures to conduct lively and concrete education on combating corrosive influences so as to enhance the consciousness and ability of the vast number of the people in combating corrosive influences and to enable them to wage a struggle against various ideologies and moral views of the exploiting classes, old habitual influences and various anti-Marxist ideas. It is necessary to thoroughly confiscate obscene books and pictures and to strictly block the import, duplication, sale and playing of obscene tapes and video tapes so as to effectively consolidate the cultural front and to block erosion by reactionary, obscene culture. By doing a good job in operating work-study schools and mobilizing the force of various social circles, we should give a helping hand and conduct guidance for misled youths and young wrongdoers. Through education on combating corrosive influences, efforts should be made to strengthen the ability of the vast number of the people to distinguish right from wrong and what is beautiful from what is ugly and to have all evil trends and crimes effectively blocked or despised.

4) It is necessary to vigorously develop the undertakings of science, education and culture and to do a good job in cultural construction. In building a highly-developed socialist spiritual civilization, it is imperative to enhance cultural construction. Vigorously developing the undertakings of education, science and various cultural fields is not only an important condition for building a material civilization, but also an important one for upgrading the people's ideological awareness and moral standards. On the premise of steadily upgrading education quality, it is imperative to do a good job in practically conducting educational reforms so as to suit education to the development of the economy and society. In developing educational undertaking, it is necessary to follow the principle of "walking on two legs," to adopt various forms of operating schools and to bring up various specialized experts at various levels. Continuous efforts should be made to do a good job in reforming the structure of secondary education and to actively develop vocational education. Efforts should be made to reform student enrollment measures of higher educational institutions and secondary vocational and technical schools. We should integrate unified student enrollment and unified graduate job assignment with the measures of giving fixed student enrollment quotas to certain areas and assigning jobs for graduates who have to return to their own areas for work, in order to expand the enrollment quota for remote border areas and to benefit the development of building minority and remote border areas. While doing a good job in conducting reforms, it is necessary to gradually improve teaching conditions, to upgrade education quality and to successfully make education universal. Making education universal is an important foundation for building material and spiritual civilizations.

In line with the demands of the CPC Central Committee and the State Council, our province has already mapped out a plan for making primary school education universal so as to make primary and compulsory education universal by 1985. This plan must be fulfilled. At present, about 20 percent of the peasants across the province are illiterate and some workers are semi-illiterate. This is a major problem which merits our special attention. We should once again conduct the activity of "wiping out illiteracy" just as we did in the 1950's. We should run various types of evening schools and literacy classes to eliminate illiteracy among all young and middle-aged persons in the next 3 to 5 years. Special attention should be paid to preventing new illiterate persons. Governments at all levels should strengthen their leadership over scientific research work and be willing to invest in developing scientific and technological undertakings. Priority should be given to training scientific and technological personnel, to implementing the party's policy towards intellectuals and to bringing into full play the role of scientific and technological personnel. In the course of developing educational and scientific undertakings, we should give full play to the role of mass media and the cultural front, and strive to run well press, broadcasting, television and publishing services. It is necessary to publish more and better literary and artistic works and to stage more and better theatrical performances so as to provide varied, interesting, healthy and useful intellectual products for the people. Efforts should be made to consolidate and build more theaters, cultural houses, clubs, exhibition halls, museums, libraries and other places for culture, recreation, and activity for the masses so as to make them become fronts for developing communist ideological education.

### 3. Strengthen the Building of Socialist Democracy and Legal System.

The building of socialist material and spiritual civilization should be guaranteed and supported by socialist democracy and the legal system. During the 10-year domestic turmoil, both socialist democracy and the socialist legal system were destroyed. Historical experience tells us that only by truly enacting socialist democracy and only by having a good socialist legal system can socialist modernization be developed without a hitch.

1) It is necessary to fully carry forward socialist democracy and to make the masses truly enjoy the right of being the masters of their own affairs. All citizens should be educated to correctly treat the relationships between democracy and centralism and between freedom and discipline. They should also be educated with the idea that, to enable the state and the society to safeguard the legal freedoms and rights of citizens, all citizens should perform their duties for the state and the society. So as to create a lively political situation in which there is not only democracy but also centralism, not only discipline but also freedom, and not only the unified will but also individual will, through education on socialist democracy, all citizens should be impressed with the idea that in exercising their democratic rights, they should not infringe upon the interests of the state, the society, the collectives and other persons. We should further implement the policy towards minority nationalities, develop socialist national relationships in which the people of all nationalities are treated equally, united as one and cooperate with one another, oppose big-nationality chauvinism and Han chauvinism, and,

at the same time, oppose local-nationality chauvinism. The people of all nationalities across the province should make concerted efforts to make China prosperous. Socialist democracy should be expanded to the political, economic, cultural and social fields so as to make the people truly enjoy the right of being the masters of their own affairs. In regions where minority nationalities should be implemented. Among enterprises, democratic management should be introduced. In the realm of culture and science, the principle of "letting a hundred flowers blossom and a hundred schools of thought contend" should be observed. In the grassroots units, self-government organizations should be established. It is necessary to pay attention to united front work, and all democratic parties should implement the policy of "long-term coexistence and mutual supervision" and the principle of "treating each other with all sincerity and sharing weal and woe." We should further implement various policies concerning united front work, consolidate and strengthen the existing extensive patriotic and united front, and mobilize the initiative of all quarters in creating a new situation in all fields of socialist modernization.

2) We should link the construction of socialist democracy with that of the socialist legal system to institutionalize and legalize the socialist democracy. At present, our nation has entered a new stage of development in socialist democracy and the legal system. Owing to the long-standing, incomplete legal system of the past and with the damages of a decade's turmoil, the people do not have a strong sense of the legal system; thus, the phenomena of violating and not strictly enforcing the law still exists. Therefore, we should vigorously conduct propaganda and education in the legal system and continue strengthening the people's sense of the legal system. We should further propagate the new constitution and strive to make it known to every household and every individual to enable the people to act according to the law. We should strengthen education on the legal system among youths and juveniles and generally open courses on the legal system at various types of schools above the elementary school level to make them study, understand and obey the law from their childhood. At the same time, efforts should be made to propagate the state law and decrees. At present, we should further implement "the forest act," resolutely stop the phenomenon of reckless lumbering, and teach the people of our province to protect our nation's resources. Those who damage forest reserves should be strictly dealt with in accordance with the law. State organs and economic organizations at all levels should master the law and take measures to safeguard the economic order to better safeguard and promote socialist modernization.

3) We should have a correct understanding of and correctly handle the present phase of the class struggle and effectively exercise dictatorship over the small number of hostile elements. Our nation's present stage of the class struggle focuses on fighting all elements that are hostile to the people. Sometimes, the struggle is very acute. So we must not lower our guard and become careless. In order to suit the needs of the struggle, we must further strengthen the construction of public security ranks and bring the functions of organs of dictatorship into full play. Public security organs should conscientiously shift the focal point of work to safeguard and promote the four modernizations, strictly distinguish between the two different types of

contradictions and attach prime importance to protecting the democratic rights of the people. We should continue taking the consolidation of public security as the key link, comprehensively consolidate and tackle the problems in urban as well as rural public security work and turn the passive attitude toward "public security" into an active one. We must devote a lot of time and energy to getting at the root of the problems and concentrate on preventing criminal activities, and educating and redeeming the misled. Efforts should be made to comprehensively enforce the safety and precaution responsibility system, the system of personal responsibility, and the teaching responsibility system. We should vigorously strengthen the people's mediation work in order to prevent the harmful consequences of acute contradictions. We should conscientiously enforce the principle of dealing blows at the minority and winning over, dividing, and remolding the majority and, in accordance with the law, strictly and timely punish murderers, robbers, rapists, bomb planters, arsonists, and the criminals who seriously damage the public security. We should seriously punish those involved in various criminal cases in the economic field, firmly attend to investigating major and appalling cases of smuggling, speculation, swindling, offering, and accepting bribes and perverting justice for a bribe, and should punish those criminals according to the law. We should enthusiastically fight against the criminal activities that hinder the construction of the spiritual civilization. Public security, industrial and commercial management, customs and tax departments at all levels should, in line with the rules of the law and policies, cooperate and make concerted efforts to deal blows to various criminal activities in a timely and effective manner.

#### 4. Strengthen the Construction of the People's Political Power.

In order to fulfill our province's Sixth 5-Year Plan and 1983 tasks, we must further improve and strengthen the government work and conscientiously strengthen the construction of the people's political power.

1) Enthusiastically conduct the government administrative reform and do a good job in the cooperation between new cadres and old ones and the replacement of the old with the new. The government administrative reform is a basic measure for strengthening the construction of political power. At present, we should, in line with the plans of the Party Central Committee and the State Council, conduct the government administrative reform in a step-by-step manner.

We should conscientiously streamline overlapping organizations and solve problems of overstaffing, define the duties of government departments, and set up and perfect the system of personal responsibility so as to successfully simplify organizations, reduce the number of staff members, and improve work efficiency.

The key issue of administrative reform is to make the ranks of cadres more revolutionary, younger, better educated, and more professionally competent. By replacing old cadres with new ones, we must gradually urge a large number of old cadres with new ones, we must gradually urge a large number of old cadres to retreat from their leading posts to pass on their experience, give help, and to set examples in training new hands. We must absorb a large number



of outstanding young and middle-age cadres, especially intellectuals with ability and political integrity to leading bodies at all levels. In age, the provincial organs and the city and county governments must have a definite proportion of competent cadres in their leading bodies who are 50 years old or younger. In the intellectual structure, we must conscientiously select and promote a number of specialists and experts to leading bodies at all levels. Organs at and above the county level must have a definite proportion of cadres with college educations in their leading bodies and such a proportion should be greater in the economic, scientific research, cultural, and educational and public health departments. Proper arrangements must be made for old cadres on convalescent leave and retired cadres. They should really be cared for in terms of politics and livelihood and be guaranteed a better life than when they were working.

In order to foster a vast number of specialized persons for the socialist modernization construction, active efforts must be made to strengthen cadre education and training work. In the future, cadres must be used and promoted according to their records of formal schooling, academic records, work experience, and work achievements. Cadre schools run by government organs, enterprises and establishments, and some assigned institutions of higher learning and secondary vocation schools must divide their work, revise teaching plans, and undertake the task of conducting regular training for cadres in line with the needs of the socialist modernization undertakings. All personnel must participate in training by groups and stages so that the political and cultural levels and the work ability of cadres will be unceasingly improved.

2) Improve workstyle realistically and build the governments at all levels into administrative organs that perform their official duties honestly, stress efficiency and ability and keep in touch with the people. All people are masters of the country and all cadres are public servants. The people's governments must serve the people wholeheartedly, be concerned with the well-being of the masses, and respect the creative spirit of the people. A ruthless struggle must be waged against cadres, especially leading cadres of some localities and units, who abuse their power and positions for private gains and even to oppress and infringe upon the democratic rights of the people.

The people's governments and leading cadres at all levels must strive to improve their leadership level, think over key problems, and grasp the essentials in their work. We must vigorously and resolutely handle all matters that are right and whose situation we can clarify. We must be brave in and good at making decisions, work in a down-to-earth manner and must not practice formalism. We must set strict demands on cadres and have arrangements, inspections, supervision, criticism, and citations for their work. It is necessary to strictly institute the system of personal responsibility and to promote the spirit of boldly undertaking heavy tasks. Cadres who work diligently must be commended and those who neglect their duties and responsibilities must be reorganized and transferred to the lower level to do manual work and be appropriately punished. Resolute efforts must be made to break with the practices of the "big common pot" and of the "iron rice bowl."

We must adopt resolute measures to simplify and reduce the number of meetings and documents, free ourselves from complicated routine work, promote face-to-face leadership, and must not make complicated documents or go through complicated procedures in handling problems that can be solved through face-to-face discussions. Problems that can be solved on the spot must not be discussed at organizational meetings. We must make full preparations before holding meetings and must not hold meetings that cannot solve problems. Leading government organs must serve the grassroots level and help grassroots units effectively solve problems in a timely manner.

Leading cadres must concentrate their main energy on going deeply into reality and must conduct investigations and research. They must, at all times, focus their attention on studying the new situation, solving new problems, summing up new experience, and formulating new regulations and methods. We must act in accordance with the objective law and guard against subjectivism while deciding on major issues.

We must promote the workstyle of relying on the masses and maintaining close ties with the masses, conscientiously listen to opinions from all quarters, discuss affairs along with the masses, and take the initiative in receiving supervision from the people. We must properly handle the contradictions of the people, attend to the people's visits and letters, and be responsible for solving all major issues raised by the masses in an earnest manner.

3) Do a good job in government work with the supervision of the people's congresses. The people's governments at all levels in the localities are executive organs of the people's congresses at all levels in the localities. They must implement the resolutions and orders of this people's congress and its standing committee and of the state administrative organs of the higher level and must, at regular intervals, report their work achievements to this people's congress and its standing committee. Personnel of the government organs at all levels must consciously receive supervision, inspections and criticisms from the people's congresses and their standing committees at all levels. The governments and executive departments at all levels must, devoting themselves heart and soul, take the initiative in actively carrying out their work and be responsible for all work that they should undertake. All important situations and issues that have cropped up in our work must be studied and reported to a higher level in a timely manner. We must handle affairs strictly in accordance with the law, adopt effective measures and guarantee that the governments at all levels exercise their power in line with the Constitution and the stipulations of the organic law of the local governments at all levels so that they will play an active part in the four modernizations construction.

4) Strengthen grassroots governments. Reforming the system of integrating government administration with management of the people's communes and setting up the township people's governments is a major reform in building government organs. Therefore, we must strengthen leadership over this work. At present, we must conscientiously select pilot units, vigorously carry out experiments during this winter-spring period and strive to complete this work by next year. Further efforts must be made to establish and improve urban neighborhood

committees and the organizations of mediation and social order and security committees and gradually set up village community committees.

5) Unity is the source of our strength. The people's governments at all levels must further implement the policies on intellectuals, nationalities, religion, overseas Chinese affairs and industrialists and businessmen, attend to work related to compatriots in Taiwan, Hong Kong, Macao and overseas compatriots, unify all strength that can be united and mobilize all positive factors that can be mobilized so as to strengthen the great unity of the people throughout the province.

The People's Liberation Army is a strong pillar for safeguarding the motherland as well as a great wall of steel guarding the four modernizations construction. The governments at all levels must show concern for the building of the PLA, support and help it fulfill all tasks. We must further strengthen unity between the army and the government and between the army and civilians and attend to war preparedness and construction of border areas. Militia building must also be intensified. Continued efforts must be made to support the army and to treatment to families of servicemen, arrange jobs for retired soldiers and army men who have transferred to civilian work and give full rein to their role on all fronts.

Fellow deputies: Our Heilongjiang Province is fairly rich in natural resources. It has been designated by the state to carry out key construction projects for the past 30 years. We should and must make new contributions to create a new situation in all fields of socialist modernization. We firmly believe that, under the leadership of the Party Central Committee, the State Council and the Provincial CPC Committee, and with the unity and hard struggle of the people of various nationalities and in all walks of life in the province and of the democratic parties, it is absolutely possible to attain better achievements in all our work, overcome all difficulties in our way ahead and win greater success.

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## ECONOMIC MANAGEMENT

### SUGGESTIONS ON ECONOMIC RESPONSIBILITY SYSTEM PUBLISHED

Kunming YUNNAN RIBAO in Chinese 11 Mar 83 p 1, 2

[Article: "Provincial CPC Committee and Provincial People's Government Approve and Transmit Economic Committee's 'Suggestions', Further Perfect the Industrial Enterprise Economic Responsibility System"]

[Text] The Provincial CPC Committee and Provincial People's Government approved and submitted the Provincial Economic Committee's "Suggestions On Further Perfecting the Industrial Enterprise Economic Responsibility System," requesting every region and department to integrate it with actual conditions and study implementation. The specific stipulations of the "Suggestions" are as follows:

1. Further implement the economic responsibility undertaken by the enterprise for the country:

(1) All industrial and transportation enterprises must carry out different forms of the economic responsibility system. All those who have not yet established and carried out economic responsibility systems must establish them this year. Those who have already established them are asked to further perfect and improve them. The country wants to implement comprehensive checks on the enterprises, not only checking their profit quotas, but also checking such economic and technical indicators as quality, variety, production output, expenditure and costs, as well as the circumstances of implementing the agreement. Of special concern in checking is quality, variety and market suitability. At the same time enterprise retained profits and standards for bonus distribution will be checked.

(2) The profit sharing method must be stabilized. The various presently instituted methods of profit sharing such as methods of retaining profits when quotas are surpassed, dividing up the whole total, retaining a base figure together with sharing in the increase, bearing profits or losses completely by the enterprise, and the contract system of handing over profits or handing over progressively increasing profits have all been relatively effective. Building on this continuing and stabilized foundation, we must suit the wishes of the masses and continuously study and summarize experience, to ensure that the system is continuously developed and perfected.

(3) Select different profit sharing methods for different kinds of enterprises:

In large-sized enterprises, enterprise leadership groups are relatively strong, their management background relatively good, and their responsibility for technical transformation is heavier. After approval by the Provincial Finance Department and the Provincial Economic Committee, the contract system of turning over profits to the state or turning over progressively increasing profits can be carried out. It is certain that this will not change for several years.

For medium-sized enterprises, each region and department can select some enterprises to carry out a pilot project in replacing profit delivery with tax payment.

Small state enterprises run by the districts with profits under 100,000 yuan can experiment with bearing losses or profits completely by themselves and being taxes on their incomes as long as state revenue is not decreased. The tax rate in general cannot fall below the present profit rate of 33 percent, however, it also cannot exceed 40 percent. They can also experiment with methods such as substituting taxes for handing over profits, collective contract responsibility systems, small group contract responsibility systems, or else selecting profit contract systems or having all profits exceeding the quota being retained by the enterprise. These will enable the revolutionary pace to be quickened. Those enterprises which fall short of the base contract figure must use their own capital to make up for it. Each district can select one or two enterprises to carry out these pilot projects.

(4) Further restructure and perfect implementation of the industry responsibility system. Each provincial-level industry and communications bureau should carry out enterprise contracts. In the process of implementation, they can spread the experience of the provincial metallurgy bureau and unite the technological transformation in the industry and the enterprises with the economic responsibility system. The bureau and the enterprises should sign an economic responsibility contract and technological transformation agreement and clearly designate the responsibility undertaken by the enterprise. After the enterprise has fulfilled its obligations, the finance department and bureau responsible for the work should supervise and carry out benefits due and requests for technological transformation.

(5) Actively promote the district economic committee as the unit to implement a unified profit retention or profit contract system, as well as adjust the amount of profits among enterprises. Whichever areas eliminate industrial and communications bureaus attached to the district and set up district economic committees must actively implement the profit retention or contract system with the economic committee as the one unit set up to deal with the district finance department. The base contract figure and the distribution ratio must be decided by the district finance department and the district economic committee. Those who have not set up district economic committees must join district level organizational restructuring and, according to the requests of the central leadership comrades and Provincial CPC committee,

set up a district economic committee to implement the district economic committee's profit retention or contract system, but they cannot select to dig into profits designated for the state. For districts which implement the economic committee's retained profits or contract system, the economic committee has a two-fold function: it is an administrative supervision organization as well as an economic entity. Powers which originally were divided among departments concerned and related to industrial production in personnel, finances, and material, as well as supply, production and marketing should now be concentrated in the district economic committee, and the economic committee should serve as the sole unit dealing with the enterprises. The internal departments of the economic committee should gradually establish economic results from integrated enterprises and implement a system of personal responsibility with rewards and penalties.

(6) Yimen Copper Mine and Mile County have experimented with a floating wage scale. Their experience in vowing to restructure the wage system has been good and is worth encouraging. This year over 10 more pilot projects will be carried out. Concrete plans will be carried out by each region and department concerned.

2. Work hard to handle well the economic responsibility system internally in enterprises:

(7) Emphasis must be placed on implementing the economic responsibility system internally in enterprises. All industrial and communications enterprises should implement the economic responsibility system undertaken for the country down to all levels in the research lab, workshop and teams and groups, as well as down to each individual worker according to the principle of their coordinating responsibility, power and benefits. There should be contracts and guarantees integrated throughout the system; in addition, this kind of contract, guarantee and assistance system should be fixed systematically so that it gradually forms a tightly knit web internally in the enterprises. The system should work to mutually assist and place severe checks on the personal responsibility system with clear rewards and penalties. Based on the presently implemented form of the economic responsibility system, this expanded system should be gradually implement and perfected.

Production must be organized according to a fixed number of personnel and quotas. Quota goals must remain advanced and equitable. Whichever enterprises do not measure up to the best historical level must measure up within a limited time frame. Those enterprises which have reached or surpassed that goal must strive to meet the most advanced level found in the same industry throughout the whole country. Advanced enterprises must vow to surpass the most advanced level throughout the country.

The fixed number of personnel should be checked and ratified according to goals issued by departments concerned in the central government in accordance with the actual conditions present in the enterprise. Whichever enterprises produce normally and fully undertake their responsibilities will be checked and ratified according to their production responsibilities. Enterprises which do not fully undertake their responsibilities will be checked according to responsibilities assigned them by their superiors.

The establishment of enterprise management structures should be in accordance with actual needs and the principle of simple and efficient administration. There should be no forced uniformity of methods. The structure of collective enterprises should tend even more strongly toward streamlined and efficient administration.

After the number of personnel is fixed, surplus manpower must be weeded out and organized for retraining, used to open new means of production, or assisted in finding other work by social services and labor services companies.

(8) A sound enterprise administration system covering all aspects of management must be established and work at the basic level must be strengthened. All enterprises must expend great effort to stress work done effectively and well at the basic level. The first task is to perfect calculations of the main raw materials expended together with coal, electricity, oil, water and steam to ensure that the comprehensive rate of calculation surpassed 80 percent. All water and electrical use for an enterprise's production and livelihood must be separated and use according to individual households must be calculated and paid for.

(9) Financial administration must be strengthened. A three-tiered administration for the factory, workshop and teams and groups must be implemented; periodic analyses of economic activity must be carried out; financial personnel and job descriptions must be fixed in advance; costs must be effectively controlled and lowered. Encroachment upon circulating funds should be lowered to increase the turnover rate of working capital funds.

(10) No matter which kind of economic responsibility system is implemented, bonuses must strictly follow the principle of distribution according to work performed and achieve the following: if the stipulated quota is not surpassed, internal units will not be brought up to the same level. Income of individual workers will vary and no bonuses will be given unless quotas are exceeded.

(11) Whichever enterprises implement bonuses for conservation of specially designated fuel and raw materials, if their expenditure quota is backward and their systems of calculations, record keeping and inspection are not sound and, in addition, they distribute bonuses equally, they should carry out reorganization. After reorganizing, bonuses can be distributed only after their superiors in the departments concerned have approved it.

3. Further implement necessary independent administrative decisionmaking by the enterprises:

(12) To implement industry contracts and country economic committee contracts, the enterprises must be given the necessary power of independent administrative decisionmaking. It is required that capital collected from the enterprises for key technological transformation not exceed 20 percent of the enterprise's retained profits. In planning capital use as a whole, gratuitous allocation and transfer of funds cannot be implemented nor can the funds be used on measures for welfare benefits for the organization itself.

(13) Under the assumption that the enterprise guarantees to complete the state plan, it has the power to increase production to produce products to suit the market according to market demand and availability of energy and raw materials. Enterprises implementing guided planning have the power to set concrete goals and organize production according to conditions of the market's demands, and report to the administrative department to enter this on the record. For marketed products regulated by the state, the enterprise is permitted to independently arrange for production but it must follow state policy guidelines.

(14) In order to invigorate economic activity, enterprises must be given a certain ratio of products to market independently in order to benefit the enterprise in understanding the market and reorganize product structure in time, and voluntarily produce products in short supply according to changes in the market, or produce new products. Except for the state regulation not permitting independent marketing, including state monopolies on distribution, marketing and purchase of products in short supply, it is permitted that enterprises independently market 5 to 10 percent of their products. The exact ratio will be settled after individual study by the administrative department concerned.

(15) Actively develop industrial and commercial joint enterprise and allied industrial and commercial management forms to bring the production and marketing aspects in closer contact and tie the industrial and commercial economic benefits of the two sides together to encourage production expansion and raise economic results. The distribution of profits to the two sides must be based on the principle of benefiting production and circulation, and should be decided concretely by the two sides. The relationship between supply, production and marketing departments must gradually be connected into one integrated system and be strictly followed according to the agreement. Whichever side violates the agreement must undertake to repay economic loss created by this violation.

(16) Prior to the state's greatly carrying out revision of the current price system, it should gradually implement a system in which high quality goods are higher priced and experiment with floating prices to a certain degree in order to encourage enterprises to improve quality, develop product variety, and increase products in short supply. New products classified as experimental sales items can be sold for a year after the enterprise's independently set market price has been reported to its administrative department and pricing department and gained their approval.

(17) In regard to some small commercial products being gradually freely priced, this will be decided by industrial and commercial enterprises according to market demand. They will organize production and supply questions and resolve them according to state document No 120 (1982) from the State Council and provincial government document No 212 (1982). Every region and department must emphasize and thoroughly implement this. In addition, they must unite this with actual conditions and continue to propose a list of products which need to be freely priced. After reporting to the provincial government and obtaining approval, these can be gradually assigned in steps



to be carried out. The price of small products must be based on the principle of covering cost with a slight profit. They can then be marketed at a price set by the production unit itself and reported to the pricing department.

4. Further integrate perfecting the economic responsibility system with technological transformation.

(18) All enterprises must formulate an enterprise development plan and technological transformation plan with technological progress as the central issue according to the demands of the state plan and industry development plan. The plan must be integrated with tackling technological problems and introducing technology as well as be integrated with industrial readjustment and enterprise reorganization. It must be integrated with bringing environmental pollution under control and comprehensive utilization. The plan must be realistic and practical with an "intensity" to develop expanded reproduction, and continuously select new techniques and technology, as well as new equipment, and strive to raise economic results.

(19) The percentage of profits retained by the enterprise should be mainly used for technical advance and technological transformation. Enterprise funds should be divided into four parts: general expansion funds, funds for trial production of new products, funds for collective welfare, and funds for bonuses. The proportion of general expansion funds and funds for trial production of new products cannot be less than 60 percent of profits retained by the enterprise. Funds for trial production of new products and technology are not permitted to be diverted for other uses.

(20) Enterprise capital for alterations and major repairs and general funds for production expansion can continue to be used together. Besides ensuring that funds are available for necessary major repairs, these funds can only be used for technological transformation and equipment renewal and cannot be used to construct staff and worker dormitories or for welfare benefit measures. They also cannot be used for the extension aspect of expanded reproduction.

(21) At present, key points in technological transformation are: (1) developing new products in light textile industries and superior product variety and quality; (2) speed up technological transformation in the engineering industry, rapidly provide more efficient and new energy-saving equipment; (3) transform and replace old and outdated equipment which expends a large amount of energy; (4) develop new model raw and semi-finished material industries. Preparatory work must be carried out well for key technological transformation projects. The departments concerned must give much assistance in terms of capital, raw materials, equipment, design and construction forces. In addition they must strengthen inspection, supervision and implementation.

Implementing the economic responsibility system is a new item of work. Every region and department must strengthen leadership, develop practical plans, carry out research and investigative work, and continuously study new conditions to discover new problems and summarize new experiences to ensure that the economic responsibility system is continuously perfected and the level of enterprise administration is raised to new heights.

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## ECONOMIC MANAGEMENT

### ROLE OF NEW CONSTITUTION IN ECONOMIC REFORM VIEWED

Shanghai JIEFANG RIBAO in Chinese 9 Feb 83 p 4

[Article by Jiang Zhenyun [5592 2182 0061]: "New Constitution Provides Guarantees for Economic Reform"]

[Text] The new constitution correctly reflects the fact that the socialist economic system has been established in our country and is developing and expanding. Proceeding from the reality of the current level of development of our country's productive forces, it can be affirmed that the state-run economy, the collective economy, and the individual economy each have their own position and role in the socialist economy. Compared with the 1978 constitution, there are some new developments in the new constitution's stipulations on the forms of ownership. It confirms the initial results of economic reform over the past several years and provides legal guarantees for a further reform of the economy.

First, it stipulates that state-run enterprises have the right to act on their own in administration and management. This sums up our country's historical experiences in developing its state-run economy and is a new legal provision. The state-run economy is a socialist economy of ownership by the whole people, and is a dominant force in our country's national economy. Its existence and development are a decisive condition for insuring that the development of the entire national economy is in keeping with the overall and long-term interests of the laboring people. Therefore, the new constitution stipulates: "The state guarantees the consolidation and development of the state-run economy." However, from a look at the history of our country's development of management, there existed a serious malpractice in management and administration, viz, that the enterprises were only beads on an abacus that the higher-level administrative departments manipulated arbitrarily. The enterprises were deficient in vitality and lacked the power to act on their own, so that technological development was slow, products were manufactured in the same old way for decades, and there was astonishing waste in the production process. All of this obstructed the development of the state-run economy. The new constitution regards as positive the reforms in the system of managing the economy begun after the 3d Plenary Session of the 11th CPC Central Committee, and unequivocally stipulates: "Under the premise of following the state's unified leadership and comprehensively fulfilling the state's plans, and within the

limits stipulated by law, the state-run enterprises have the power to act on their own in administration and management." This stipulation is of the utmost importance in guaranteeing the strengthening and development of the state-run economy. With an enterprise having the power to act on its own in administration and management, it can carry out reforms in its administration and management, set up various forms of the responsibility system, and directly relate the material interests of its staff and workers to the results of its management, so that the vast number of staff and workers, out of their own personal interests, become concerned about the quality and development of its management. With an advanced system of public ownership and advanced methods of management, an enterprise by itself will adopt new technologies, develop new products, stop waste, strictly enforce savings, and better satisfy the people's requirements, producing a kind of internal motive power. Thus, it will promote the rapid development of production and will constantly expand the strength of the socialist economy.

Second, the new constitution affirms that the various forms of cooperation between town and country are a development of socialist collective economy of the laboring masses. The state encourages, guides, and helps in the development of the collective economy. In our country, after the three big transformations were basically completed, the individual laborers in the vast rural areas took the road of cooperatization; individual laborers formed a cooperative economy of various forms. This was a great achievement for our country's socialist cause. However, for a relatively long time, under the "leftist" ideological influence of the "more public the more superior," the cooperative economy in cities and towns and the cooperative economy in the rural areas for supplying and marketing, credit and consumption, were more in name than reality, and most of this cooperative economy changed to state-run or local state-run economy. In reality, this was an infringement on and deprivation of the legitimate rights of the collective economy. The idea of "cooperative economies" is explicitly written into the new constitution, which affirms that they are collectively owned by the laboring masses and that the state protects the legitimate rights and interests of collective economies. This will be helpful for changing the ownership structure and for promoting the development of the cooperative economies.

It is now urgently necessary to set up, restore, and develop the various forms of cooperative economy in town and country. To give an example, in the rural areas, because of the enormous reforms in the agricultural system and its administration and management, many forms of the production responsibility system have been put into practice on a wide scale. Various kinds of specialized households and major households have sprung up in large numbers, and the production of products is developing vigorously. The single circulation channel of state commerce is becoming more and more unsuited to the new situation in the development of commodity production. In many places, agricultural and subsidiary products cannot be transported out, causing overstocking in the producing areas, mildew and rot of the products, a lack of goods at the places of sale, and goods being out of stock. A way to resolve this contradiction is to develop cooperative

businesses and increase circulation channels. It can be predicted that, following the enforcement of the new constitution and following the comprehensive unfolding of the reform of agriculture's commercial system, there will necessarily be a new development in the various forms--production, supply and marketing, credit, and consumption--of the cooperative economy.

Third, the new constitution affirms that the individual economy of the laborers in town and country is a supplement to the publicly owned economy, and that the state protects the legitimate rights and interests of the individual economy. In dealing with the question of the individual economy, there are three clear changes in the new constitution as compared with past constitutions. The first change is that it affirms that the individual laborer is a supplement to the socialist public ownership system. Even though the individual laborer is a supplement he is essential and indispensable. The second change is that the 1978 constitution only permitted individual laborers who were nonagricultural to engage in individual labor; the new constitution affirms that not only urban but also rural individual economy is a supplement to the socialist system of public ownership. That is to say that rural individual economy is permitted to exist under law. The third change is that the new constitution unequivocally stipulates that the legitimate rights and interests of the individual laborer are to be protected. These three changes are summed up in one point, viz, proceeding from our country's national condition, the individual economy of town and country need to be developed within a certain scope. This is also an important question in the reform of the structure of the ownership of the means of production.

In the actual economic life of our country, the "leftist" ideology in the minds of some people has not been completely eliminated. To create difficulties for, squeeze out, and ride roughshod over those individual laborers who, within the scope permitted by law, engage in productive and circulation activities makes it difficult for them to earn a living by regularly engaging in production management activities; some people stand out against and willfully obstruct reform in this aspect. The new constitution's stipulation on "protecting the legitimate rights and interests of the individual economy" provides a legal guarantee for overcoming and correcting the above-mentioned phenonema.

Fourth, the new constitution contains an unequivocal stipulation on the legal position of Chinese-foreign jointly owned enterprises. Since our country put into practice the open-door policy, it has, based on equality and mutual benefit, developed economic contacts and cooperation in diverse management forms with various countries of the world, and Chinese-foreign jointly built enterprises are one of these forms. Proceeding from our country's great strategic goal of realizing socialist modernization, relevant articles were written into the constitution for the first time: "Foreign enterprises and other economic organizations or individuals are permitted, in accordance with the provisions of the laws of the People's Republic of China, to invest in China," and "Their legitimate rights and interests are protected by the laws of the People's Republic of China." This, without a doubt, will play a role in promoting our use of foreign capital to carry our socialist modernization.

From the relevant articles on our country's socialist economic structure, we can clearly see that it is an economic structure in which the state-run economy is dominant and in which is included the diverse economies of the collective ownership of the laboring masses, the urban and rural individual economy, as well as some Chinese-foreign jointly operated enterprises. This economic structure will exist for a fairly long time. Following the effecting of reforms, it will be constantly protected.

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CSO: 4006/332

## ECONOMIC MANAGEMENT

### RESTRICTIONS ON CONTRACT ENTERPRISES RELAXED

Lanzhou GANSU RIBAO in Chinese 12 Feb 83 p 1

[Article by Tan Zhong [1098 1813]: "Vigorous Support for Contract Responsibility System in Commercial Operations"]

[Text] The provincial industry and commerce administration and management bureau has decided to relax restrictions on items to be registered and checked and on methods of operation of collective and individual contract enterprises in order to vigorously support the contract responsibility system in commercial operations.

--The operational form of a collective or individual contract enterprise is ordinarily retail sales, but it can also be sales by lot; so long as the scope of the operations does not violate the relevant policies and rules, the operations should be permitted.

--A collective or individual contract enterprise needs to circulate and sell goods, to provide services by going from village to village, to go to market, and to take part in commodity interflow meetings. It cannot be restricted to one area, and when necessary the industry and commerce administration and management departments can issue certificates or circulating "business permits." For those who take part in commodity interflow meetings or engage in urban market operations, stalls should be arranged and no market management fee should be charged.

--The collective or individual contract enterprise needs to purchase raw materials and subsidiary materials in communes or production teams or in markets, and they should not be restricted in so doing. If they buy things at a market for which they need a receipt, the industry and commerce office may write out the receipt.

--Staff and workers who leave their jobs and have their wages stopped and who engage in individual business operations, without exception, are to be registered as running an industrial and commercial household and are to be issued, after due investigation "individual industrial and commercial business licenses"; and they are to be brought into management and organized to sell on commission or promote the sales of goods for state-run, collective, or individual contract enterprises. If one requests to return and work at

one's business at the industry and commerce administration and management bureau, hand in for cancellation one's "business license," get a certificate from the industry and commerce administration and management department, and report to the original work unit.

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## ECONOMIC MANAGEMENT

### NPC DEPUTIES WANT BETTER ECONOMIC RESULTS

OW080827 Beijing XINHUA in English 0740 GMT 8 Jun 83

[Text] Beijing, 8 June (XINHUA)--"To improve economic results" has become a watchword at the first session of the Sixth National People's Congress that entered panel discussions today.

Quan Shuren, 53-year-old new governor of Liaoning, stressed the need to speed up economic readjustment and reform.

A long-time steel mill director and mayor of the coal city of Fushun, Quan described Liaoning in the past as "much too heavy in heavy industry and much too light in light industry, while squeezing out agriculture." Economic readjustment in the past few years has boosted the province's light industry from accounting for 23.5 percent of the total industrial and agricultural output value in 1978 to 29.8 percent in 1982, and agriculture from 11.9 percent to 15.9 percent.

Heavy industry production dropped at the start of the readjustment and then picked up again, "not on the basis of the old product mix, but on a new basis of increased variety and broadened scope of service," he said.

"Never has Liaoning had such a brisk market as today," he said. "Just remember that Liaoning was not even self-sufficient in grain, vegetables, meat and edible oil before 1978. Now pork is in ample supply, and cooking oil is twice as much. As for vegetables, we have enough and to spare."

Zhang Xuwu, vice-governor of Jiangsu, which tops China's provinces in terms of total output value of industry and agriculture in 1982, said an important reason for the improvement of economic results was the all-round and balanced development of agriculture, light industry and heavy industry.

"While always paying close attention to grain production," he said, "we encourage a diversified economy with cotton, hemp, rapeseed and tea growing and aquatic breeding in light of local conditions. In industry, we give the free reins to more developed small and medium-sized cities in the province."

"To achieve better economic results," Han Ningfu from Hubei said, "the people's congress must exercise effective supervision while the government must firmly implement the principle."



Han was governor of Hubei Province before he was elected chairman of the provincial people's congress standing committee earlier this year. He said the problem "has drawn due attention, but concrete methods to solve it have yet to be worked out."

Seeking output value at the expense of economic result was a bad tendency in the past three decades, he said. "This problem involves both people's thinking and the economic set-up. It is, therefore, imperative to enhance education, management and inspection."

The provincial congress standing committee has set up a financial and economic commission to tackle this problem.

Yi Shiyuan, a veteran model worker and vice-chairperson of the Trade Union Council of Shanghai, said the council was energetically organizing workers to study culture, science and technology so as to promote technical transformation. Some 300,000 workers are now taking part in a drive to "study for invigorating China."

Yi, who has been a deputy to all the six national people's congresses, said she was especially glad that the current congress has more younger deputies and intellectuals than any previous one.

"The modernization program which emphasizes economic results will enable them to use their talents to the fullest possible extent," she said.

CSO: 4020/86

## ECONOMIC MANAGEMENT

### FUJIAN CIRCULAR ON STEPPING UP INDUSTRIAL PRODUCTION

Shantou FUJIAN RIBAO in Chinese 13 Mar 83 p 1

[Staff report by the Information Section of the Provincial Economic Committee: "Provincial CPC Committee and government issue joint notice: Develop Close Ties With the Grassroots Level, Strengthen Leadership, and Stress Industrial Production"]

[Text] The Provincial CPC Committee and government recently issued a joint notice requesting that all levels of party committees and governments strengthen leadership in industrial production and take forceful measures for the rapid advancement of industrial production.

The notice stated that in January and February Fujian Province's industrial production was far from ideal. The grand total of the gross value of industrial output only increased 1.9 percent over the same period last year. Actual profits from state industrial enterprises were lower than for the same period last year. This must be of grave concern for the party committee and government at various levels and departments concerned. They all must realize that successful industrial production has great meaning in relation to completing this year's national economic plan for our province, and to guaranteeing revenue and market supply. They must earnestly strengthen leadership and immediately carry out an investigation on the situation of industrial production in local regions and departments. They should analyze the causes and propose methods to rapidly turn around the present passive phase of production and strive in one quarter to complete 25 percent of the whole year's plan. The first half of the year should complete over half of the plan.

The notice emphasized that they must forcefully strengthen management and marketing arrangements. In January and February production in light industry fell. Light industrial enterprises must actively open up a new route to industrial production and earnestly organize to increase production, which is not limited by any plan, as well as strive to develop new products and varieties of products to satisfy market demand. Heavy industries must continue to strive to increase production and maintain steady momentum in that area. At present a portion of raw materials are in comparatively short supply. The departments concerned such as the Planning Committee, Economic Committee, Supply Department, Commerce Department, Food Department, Supply and Marketing Department, and Foreign Trade Department should earnestly organize well the

supply routes to guarantee production needs. They must forcefully develop the market, regulate and coordinate it, as well as make connections for interchangeable materials. Whichever products have no fixed standard price or whichever raw materials have no set purchase price can be purchased at whatever rate the market will bear in order to revitalize the economy.

The notice requested that industrial enterprises must actively and reliably take a leadership role to implement by measures steps diversified forms of management responsibility systems with contract systems as the central focus. They should resolutely eliminate "eating out of the same big pot". They should fully develop the vitality of industry and its workers and staff. They should strive to raise economic results, and guarantee that industry continues to develop. The economic committee, finance department, tax bureau and labor department at various levels should perceive industrial restructuring as their mutual duty and practically shoulder the responsibility and support the enterprises in carrying out the restructuring successfully.

The notice stated that at present provincial and local level organizations have temporarily finished one phase in the restructuring work. Party committees and government organs at various levels must concentrate their efforts to stress production. They must have comrades in leadership positions each take over a portion of the responsibility and organize cadres to develop close ties with the grassroots level to assist enterprises in resolving their difficulties locally.

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## ECONOMIC MANAGEMENT

### PLANT-UNIVERSITY COOPERATION PRODUCES GOOD ECONOMIC RESULTS

Tianjin TIANJIN RIBAO in Chinese 23 Mar 83 p 1

[Article by staff reporter Chen Xianhua [7115 7359 5478]: "Benefits Reaped From Local University-Plant Cooperation 40 Projects Already Widely Adopted Can Increase Output Value By 32 Million Yuan This Year"]

[Text] Some plants and mining enterprises in Tianjin have begun widespread technical cooperation with over 10 post-secondary schools of science and technology, including Tianjin University, Nankai University, Zhejiang University, Qinghua University, and Jiaotong University in Xian. Economic results have already been increasingly manifest in terms of production. According to estimates of the 40 projects already in widespread use, this year output value can be increased by 32 million yuan with a net profit of 10.5 million yuan. The rapidity of popularization and application and the extent of economic results are also rare phenomenon.

Some factories in Tianjin went into production by building on the advanced applicable technological achievements of these institutes of higher education. This has enabled them to rapidly transform themselves into productive forces and is an important outcome of university-factory cooperation. The Xinxin Pharmaceutical Factory in Tianjin needed to use anhydrous ethanol to produce highly refined Vitamin B. In the past, this kind of ethanol was obtained from abroad and was comparatively costly. Last year this factory built on the new technological achievements of Qinghua University's process of adding salt to extract rectified anhydrous ethanol. This kind of new technology is more advanced than the traditional technology. The factory only welded half a year's time to build a set of production equipment with a designed capacity of producing 8 million tons annually. In October of that year success in trial production was achieved with a 99.7 percent product purity rate. The cost was half of what it had been to purchase anhydrous ethanol from abroad. Calculating according to production of 8 million tons achieved the following year, if costs of only one item are lowered, economic results of 1.2 million yuan can be created.

Linking plants and universities is beneficial in resolving difficulties in scientific research and production. The Bicycle Plant No 2 in Tianjin originally used a salt bath drill welding for the front fork of the bicycle.

There were numerous steps in this technological process and much equipment was needed. It also expends much energy and materials in addition to having a high rate of recall for repair. Last year in March they requested assistance from Qinghua University's professors to tackle this key problem and developed a kind of fusion electric welding technology. This is a kind of highly effective, high quality and economical new welding technology which resolved the key problem in bicycle welding. It requires six fewer steps than drill welding and requires 18 fewer workers and 4 fewer equipment stations. In addition, it requires a much smaller amount of raw material.

When factories and universities cooperate to tackle problems, quite a few factories ask professors from institutes of higher learning to carry out technological counseling and guidance. The Analytical Instruments Plant No 3 in Tianjin is a collective enterprise with over 200 people. Their technological force is weak. They asked Associate Professor Huang Jianguo [7806 1696 0948] of the Chemistry Department of Nankai University to act as their adviser. Under his guidance, they developed a kind of instrument to analyze environmental protection--an instrument to test and measure atmospheric pollution of sulphur dioxide. After appraisal, the departments concerned confirmed that this kind of instrument's performance norm was advanced, its quality stabilized, and its movements reliable. It ranks highly against comparable products appraised throughout the whole country. Up to the present time the Analytical Instrument Plant No 3 has already produced 3.5 million instruments, which have won praise from their users.

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## ECONOMIC MANAGEMENT

### ENGINEER MAKES APPEAL TO IMPLEMENT NEW MINING TECHNOLOGY

Beijing GONGREN RIBAO in Chinese 24 Jan 83 p 1

[Letter to the Editor by Zhang Naizong [1728 0035 1350]: "Engineer Zhang Naizong From Xiangtan Manganese Mine Asks to Undertake Contract for Mine for 1 Year to Implement New Technology in Mineral Separation"]

[Text] Editor's note: We recommend to our readers this letter from engineer Zhang Naizong from the Xiangtan Manganese Mine which he sent to our editorial staff. As early as 4 years ago Zhang Naizong and some other comrades successfully experimented with a kind of new technology of mineral separation, for which they received an important award for science and technology from Hunan Province. But the leadership in his mine has never utilized it in the production process, thus not allowing this process to help raise the quality of ore or improve economic results. Now, in order to "repay his country and work on behalf of the four modernizations," Zhang Naizong has proposed to undertake a contract for 1 year and uphold the condition of military orders: if he is unable to do as he promised, he requests to be punished by being expelled from his government position. He also proposed that "after a year, if I am able to meet the contract quota, I also don't want any reward or praise, and I most certainly do not want any official position. My only request will be sent to an even more difficult manganese mine, where I can continue my pioneering work." What lofty sentiment and character this is! This kind of courageous reforming spirit fully expresses the moral quality of a revolutionary.

Our leadership comrades in the central government repeatedly emphasize that in order to carry out the four modernizations, we must carry out systematic restructuring. Without this restructuring, we will be unable to realize the four modernizations. They also pointed out that our economic work now faces two great tasks: one is restructuring of the system, the second is technological transformation. Only if there is a good system will the conditions be created for technological transformation. Contrarily, if we do not do a good job with the system, technological transformation will lack an inner momentum, and even if there are good technological achievements, they will be unable to be effectively utilized. The fact that a minority of the leadership in Xiangtan manganese mine was unwilling to extend and adopt technological achievements once again proves that we have to change the system and our method of management. The new technology of mineral

separation which Zhang Naizong and others successfully experimented with is a reform in the process of mineral separation. After undergoing experiments to prove its effectiveness, using it in the production process will benefit the country and its people. We hope that the minority of the leadership in Xiangtan Manganese Mine who up to now has not been willing to use this scientifically researched achievement in the production process will earnestly comprehend the spirit of instruction by our leadership comrades in the central government, and regard this question from the high plane of restructuring and construction of the four modernizations.

Comrade Editors: After your paper published 22 December 1982 report and critique of our mine entitled "An Important technological achievement has been delayed for 4 years and to the present time has not been able to be utilized," I have successively received many letters from your readers which have given me much enthusiastic encouragement and support. Leadership comrades in the Provincial CPC Committee and government as well as in the Provincial Scientific Committee have also published articles and speeches. This has led me to realize how deeply the party and the masses are concerned about scientific and technological personnel. My heart is very warmed by this show of concern.

However, what is disturbing is that feelings of resistance on the part of the mine's leadership is still very great. A little while ago in the material which they spread throughout the country resisting this project's achievements and utilization, they still asserted that "if we use this project's achievements, the pilot plant will require a capital investment for transformation expenses of 3,777,000 yuan and once installed will mean losses of 1,157,600 yuan." Yet the plan which we meticulously calculated and submitted was, during conditions of hardship for the country, to use the spirit of painstaking pioneering effort to adopt the policy at existing ore dressing plants of simultaneously carrying out transformation and production. The expense for transformation is 445,000 yuan, and 1,613,000 yuan more in profits can be realized every year. In addition a large amount of energy can be saved. At present, is it possible for enterprises to be taken over by the economic responsibility system? If so, then I am willing to undertake a contract on this for a year and will guarantee that within 1 year I can realize the following goals:

1. Based on the mine's advancing 3,777,000 yuan for transformation expenses, I can save the country 3,322,000 yuan in capital investment by adopting the policy of simultaneously carrying out transformation and production with the existing pilot ore dressing plant.
2. Our mine is a joint enterprise which produces as well as processes ore. Ore quality is the key which conditions the whole mine's economic results. Relying on the new technology of mineral separation to raise the ore quality from low-grade to high-grade can create the highest level of ore quality in our mine's history. Relying on scientific technology and scientific management can ensure that within a year the combined economic results of the whole factory at the present level of profit can produce 1,613,000 yuan more profit for the country, and strive to quadruple profits turned over to the state.

3. Using superior quality ore to supply users will enable them to decrease transportation costs and during smelting energy can be saved and production increased. According to calculations this can raise society's economic results by around 2 million yuan, as well as produce high-grade manganese ore, which is greatly lacking domestically, to be used as raw materials for medium carbon ferromanganese in order to reduce high-grade ore imports and conserve foreign exchange, thus making the economic results even greater.

4. Other measures to raise economic results can be implemented at the same time.

The above firm goals were carefully arrived at after close personal investigation and research and detailed scientific calculations (concrete plants and measurements exist). If after 1 year the mine's profits are below the present-day level and create a deficit, I am willing to be punished by imprisonment. If after 1 year I am able to realize the contract goals, I also do not want any reward or praise, and most certainly do not want any official position. My only request will be to be sent to an even more difficult manganese mine, where I can continue my pioneering work. In my lifetime, in order to realize the magnificent goals of the 12th Party Congress and make greater contributions, I shall strive before the end of my life to become a member of the great Communist Party of China.

In order to definitely guarantee the realization of the contract goals, during the contract period it will be necessary to eliminate man-made obstacles and get rid of all opposing forces. Towards this I request to my superiors that they permit me to recommend middle-aged intellectuals with strong party character who are courageous enough to shoulder this heavy burden and who in addition wish to join me in taking up the challenge of the "military vow" and decide to devote themselves to the four modernizations. They would temporarily be placed in positions of authority for 1 year during which time I would request that a minority of leadership personnel temporarily be transferred from the mine. After 1 year, when the economic results of the mine have been raised, they can still be invited back into positions of leadership.

I am a 48 year old middle-aged intellectual who was brought up by the party. I graduated from college 25 years ago. Because I came from an unfavorable family background, I suffered greatly at the hands of the extreme leftists during the Cultural Revolution. After the Third Plenary Session of the 11th Party Central Committee, I decided to render service to my motherland in order to repay the party's kindness to me. I wish to bring glory to my country and work on behalf of the four modernizations. In order to strive to install this achievement of scientific research into the production process, I have already beseeched my superiors more than 20 times. The central authorities and departments concerned and leadership comrades in the province and municipality have all expressed their support but the leadership in our mine has been unwilling to implement this process. Looking at it from the point of view of my vigor and age, I feel the time allotted to me to repay my motherland is not enough. But the death of an individual is a small matter; the loss to the country would be immeasurable! I again strongly appeal to my superiors and request that they quickly decide once and for all on this matter!

Zhang Naizong  
Mineral Separation Engineer  
Ziangtan Manganese Mine

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CSO: 4006/479



## FINANCE AND BANKING

### BEIJING REVIEW ON TAX SYSTEM FOR ENTERPRISES

HK070326 Beijing BEIJING REVIEW in English No 21, 23 May 83 p 4

["Notes from the Editor's" column by Economic Editor Wang Dacheng: "An Important Economic Reform"]

[Text] Beginning 1 June, most of China's state enterprises will pay tax in compliance with a recent State Council regulation and the state will not bear the responsibility for their gains and losses.

This is not merely a change in the method of taxation. More importantly, it represents a major step towards scrapping the "big public pot" system which has long crippled the initiative of enterprises and workers.

China's 84,200 state enterprises owned by the whole people are the mainstay of the national economy and their accumulations are the main source of state revenue.

Prior to 1978, the relationship between the state and enterprises with regard to distribution was highly centralized. The enterprises, in addition to paying industrial and commercial taxes, handed all profits over to the state; while the funds needed by the enterprises for developing production and other purposes were allocated by the state. Losses incurred by an enterprises' desire to improve management.

Enterprises have been granted more decision-making power in the last few years in the course of restructuring the national economy. More than 6,000 enterprises have experimented with different forms of retaining part of their profits while delivering the rest to the state. However, 456 others have substituted tax payments for profit delivery and are achieving better economic results. The increases in profits and tax payments of all these enterprises are much higher than those in total output value and sales incomes. The distribution of their profits in 1981 showed that the state earned 76.8 percent in tax income while the enterprises got 23.2 percent for production expansion, collective welfare and bonuses.

The advantage of substituting taxation for profit delivery manifests itself in several ways.

First, because the conditions of enterprises vary, the basis for deciding how much of the profits were retained by the enterprises could not easily be put on a rational footing under the profit-delivery system. However, taxation according to prescribed categories and rates helps simplify and stabilize the distribution relationship between the state and enterprises.

Second, based on the principle that the state gets the bigger part of the profits, taxation ensures a steady increase in state revenue. The state is also able to use taxation as an economic lever to regulate both production and distribution.

Third, the new system has clarified enterprises' rights and obligations so that they can increase earnings only through good management and those lagging behind can no longer get away with living off the state's "big public pot." This is an incentive for enterprises to continually seek management improvements.

However, the time is not ripe yet for the complete switch to tax payments from the profit-delivery system in all trades and enterprises. One reason is that China's current price system still leaves much to be desired. Another is the remaining significant gap in profits among different trades and enterprises.

As the first step, the new tax system will be instituted side by side with the profit-delivery system. The following methods will be adopted with regard to different enterprises:

--Income tax will be levied at a rate of 55 percent on the profits of big and medium-sized enterprises, with the remaining profits shared between the state and the enterprises. In principle, the part of the profits retained by these enterprises will be maintained at the 1982 levels, and it will remain unchanged for 3 years;

--Income tax will be levied on small enterprises (whose primary value of fixed assets is less than 1.5 million yuan and the volume of profits below 200,000 yuan) based on a progressive tax rate in eight grades. After the tax is levied, these enterprises will bear the sole responsibility for their gains or losses; the state will not allot additional funds to them;

--For such enterprises as hotels and restaurants the income tax rate stands at 15 percent; and

--The new tax system will not be instituted in enterprises in the defence industry, post and telecommunications, foreign trade or agriculture and those of food grain.

After switching to the tax system, enterprises will remain under the guidance of the state plan and policies and they will still be required to maintain a socialist orientation in their management.

CSO: 4020/86

## FINANCE AND BANKING

### BRIEFS

TIANJIN STATE TREASURY BONDS--As of 20 April, Tianjin Municipality as a whole had subscribed for 100.6 million yuan worth of state treasury bonds, prefulfilling the state-assigned treasury bond subscription plan by 1.5 percent. Of this, 50.45 million yuan worth of treasury bonds were bought by units, 44.85 million yuan by staff and workers and 5.3 million yuan by peasants. [Summary] [Tianjin TIANJIN RIBAO in Chinese 21 Apr 83 p 1 SK]

CSO: 4006/589

## MINERAL RESOURCES

### BRIEFS

GUANGDONG PYRITE MINE EXPANSION--Guangzhou, 18 May (XINHUA)--China's biggest Pyrite Mine in Yunfu County, Guangdong Province, is being expanded to produce 3 million tons of ore a year by 1985, provincial authorities said today. The mineral serves principally as a source of sulfur in the manufacture of sulfuric acid. The sulfur content in the ore produced in Yunfu Mine averages 33 percent, ranking first among all mines of its kind in the world, authorities said. Ten of the 23 construction projects involved in the 500 million yuan expansion program have been completed. Output of ore in the mine averaged half a million tons a year after the mine went into operation in 1965, the authorities said. The mine is accessible by water and railway transport and has a large reserve. [Text] [Beijing XINHUA in English 1611 GMT 18 May 83 OW]

CSO: 4020/86

## INDUSTRY

### BUREAU OF NATIONAL STANDARDS REPORT ON STANDARDIZATION WORK

#### Standardization Work Strengthened

Beijing BIAOZHUNHUA TONGXUN [STANDARDIZATION NEWSLETTER] in Chinese No 3, 1983, p 1-3

[Article: "State Council Approves Report On Strengthening Standardization Work By the National Bureau of Standards"]

[Text] Recently the State Council approved the "Report on Strengthening Standardization" submitted by the National Bureau of Standards to the State Council. It asked the people's governments of all provinces, cities and autonomous regions, ministries and commissions of the State Council and the agencies directly subordinate to the State Council to take into consideration the actual situation in each region and the departments themselves to conscientiously study and thoroughly carry out the work.

The approval by the State Council pointed out:

Standardization is a comprehensive and fundamental work. It serves an important function in promoting technical progress and in realizing the glorious goal of our nation's socialist modernization. Present international standards and advanced foreign standards show that economically developed nations have already reached an advanced level in production and technology on a widespread basis in the 1970's or at the beginning of the 1980's. Actively using international standards is an important technical and economic policy of our nation. It is also an important part of importing technology. It is time for us to grasp standardization work. We must stimulate a high degree of emphasis in all sectors. The people's governments at each level and every department of the State Council must heighten understanding, concretely strengthen leadership, solve actual difficulties in work, and firmly push this work forward.

The "report" by the National Bureau of Standards said: As economic construction and science and technology develop, and as international trade expands, the function and importance of standardization become more outstanding. Standardization work abroad has developed very rapidly. The trend is characterized by the following three characteristics:

(I) Standardization requires a broader and broader uniformity. At the beginning of the 20th century, every nation emphasized the development of specialized standards. Since the 1960's, emphasis has been placed on developing national standards and international standards. Now, the use of international standards has already become the trend of development in the world. The Organization of International Standards believes about 50 percent of the international standards are suitable to the level of production and technology of developing nations. It suggests that developing nations adopt them directly.

(II) The rate of increase in the number of standards is faster. The Organization of International Standards listed 4,580 standards in 1981. Of these, 2,210 were established or revised within the past 5 years, constituting 48 percent. The International Electrical Engineering Committee listed 1,752 standards in 1981. Of these, 800 were established or revised within the past 5 years, constituting 45 percent. The increase in the number of national standards of each nation is also very rapid.

(III) The scope of standardization is broader. Not only are there industrial and agricultural standards, there are also standards for energy conservation, engineering and construction, national defense and military industries, traffic and transportation, culture and education, and foreign trade. Not only are there product quality standards, there are also standards for safety sanitation, environmental protection, packaging, storage and transportation. Not only are there technical standards, there are also management standards for planning and statistics, population census, transmission of information, word codes, document and information classification codes, and ergonomics. To enable business management activities to become rational and systematic and to realize high quality, high efficiency, low consumption and low cost, each nation is implementing business standardization in a big way.

The "report" also talked about the function of standardization. Standardization is a comprehensive and fundamental work. It is the foundation for establishing technical rules and regulations. It serves importantly in developing the national economy and science and technology, improving the quality of industrial and agricultural products and construction, expanding foreign economic and technical exchange, and improving social and economic gains.

Standardization is an important guarantee to improve product quality. There must be high level standards before there are high quality products.

Standardization is an important means to organize modern production. It is an important condition to rationally develop varieties and organize specialized production.

Standardization can promote the rational utilization of national resources, conserve energy and realize the best economic results.

Standardization is the basis for establishing national sanitation and safety regulations. The problem in sanitation, safety and environmental protection have attracted more and more attention in every nation.

The "report" said, at present, our nation's standardization work faces the following problems:

(I) There are few standards, the level is low, the structure is irrational. At the end of 1981, our nation had 3,500 national standards, 18,000 standards promulgated by the ministries and some standards implemented by enterprises. According to our nation's present situation, we need at least about 10,000 national standards. The number of national standards in our nation is not only small, there are also many blanks. About 70 to 80 percent of current national standards and standards promulgated by the ministries are lower than the level of current international standards or foreign advanced standards. The structure of the standards is also irrational and this affects the development of all national standards.

(II) Efforts to implement the standards are weak. Because the material and technical conditions needed in implementing standards cannot be guaranteed, at present, more than 20 percent of the standards still cannot be conscientiously implemented.

(III) The agency for standardization is unsound, the technical strength is weak. Many departments still have not established agencies to manage standardization yet. Local agencies for standardization are also unsound. The technical strength of standardization agencies is very weak. A system of information dissemination and publishing have not been established.

Our nation's standardization work has lagged behind for a long time because it has been influenced by the many upheavals in economic work, also because the leadership at each level has had an insufficient understanding of the importance of standardization work, and such work has not been included in the daily agenda. The current economic system has severed the internal links in economic work. In establishing unified and high level national standards, there have been many conflicts among production departments and the production and user departments. Coordination has been very difficult and this has affected the speed of establishing standards. Some economic policies are unfavorable to mobilizing the enthusiasm of enterprises to adopt advanced standards and to strictly implement the standards.

The last part of the "report" proposed the major tasks in future standardization work. The "report" said, to realize the goals proposed by the 12th party congress, standardization work must be carried out by adhering closely to technical progress and the improvement of economic benefits. We must grasp the standardization of agriculture, energy conservation and traffic and transportation in a key way. The raw materials industries must grasp well the standardization of steel materials, chemical industry materials and non-metallic materials. The machinery industry must grasp well the standardization of highly efficient and energy conserving equipment, basic components and general purpose spare parts. The electronics industry must grasp the standardization of elements and components so that they can adapt to the need for technical improvement, for improving product performance and quality, and for expanding export trade. We plan to establish about 10,000 national standards by 1987, 60 percent of which should reach the level of international standards. To reach this goal, we plan to grasp the following two tasks in a key way:

(1) We plan to actively adopt international standards and foreign advanced standards. (1) We plan to use 2 years to translate the more than 6,000 international standards and foreign advanced standards we urgently need at present by organizing the strength of all sectors. We will analyze and compare and conduct necessary proofs, and make plans for overall adaptation. (2) We should start from 1983 to select some key products and organize their production according to international standards or foreign advanced standards. The raw materials industry, the machinery industry and the electronics industry must lead other professions. We must first adopt and use standards for energy quality and energy consuming equipment, ships, locomotives, automobiles and containers and such transportation equipment, export products, products that substitute for imported products, products produced by imported technology or equipment, and some products that require mass production and that have a broad market. (3) We should adopt international standards for basic standards and standards for general methods before 1985. (4) Starting from 1983, the current national standards for 1,900 products should be reorganized and revised on an overall basis by contrasting them with international standards of advanced foreign standards. This work should be completed before 1985. (5) We plan to use about 5 years to gradually transform the 18,000 standards promulgated by the ministries so that they meet international standards or advanced foreign standards. Some standards must be upgraded as national standards and some others should be transformed to become specialized standards (i.e., a unified national standard for one specialization). Starting from 1983, we should not arrange plans for the establishment of any new ministerial standards.

In using international standards and advanced foreign standards, we must adopt the entire set of standards for raw materials, accessory products, spare parts, components, inspection and testing instruments and equipment and product packaging before we can guarantee product quality.

Enterprises that export their products and enterprises that have a higher technical level and management level, enterprises that import technology and equipment from abroad must first implement international standards and advanced foreign standards.

In general, we must gradually establish our nation's current system of standards by reorganization so that it will become a system of technically advanced standards that are equivalent to the level of international standards and that suit our nation's situation. We should strive to establish a firm foundation in the 1980's and adopt and implement international standards or advanced foreign standards on an overall basis in the 1990's, and basically popularize in our nation the technology that has already been widely applied in economically developed nations in the 1970's and the beginning of the 1980's.

To guarantee that the work of adopting international standards and advanced foreign standards proceeds smoothly, we must take the following measures: (1) We must include the adaptation and implementation of international standards in the plans. The needed material and technical conditions and funds must be separately included in national economic development plans and



social development plans at each level, and we must uniformly arrange them and guarantee them. The plans for each level and for each economic sector must attract related standardization personnel to participate in the establishment of technical improvement planning and plans. (2) We must implement the policy of pricing by quality. All products that have officially begun batch production, that have been inspected by product quality monitoring and inspection departments of the state and whose quality has reached international standards should be verified by the pricing departments as to cost, and their prices should be reestablished so that reasonable profits for enterprises can be guaranteed. A penalty price should be attached to those products that do not meet the requirements of the standards but still have a definite useful value. (3) We must add testing instruments and equipment. The production of testing instruments and equipment must be included in state plans. We must establish testing and proving bases. Each department must fully utilize the forces of specialized research institutes and large backbone enterprises and carry out the task on this foundation. Generally, we must take the profession as the unity to establish a relatively perfect base. (4) We must establish a national standards library, regional standards information centers and departmental and local standards information stations (libraries, offices) according to plan. (5) Related departments and localities must actively organize standardization personnel to participate in international standardization activities.

(II) We should actively develop product quality monitoring and inspection work surrounding efforts to improve product quality. We must combine standardization and product quality monitoring, and strengthen product quality monitoring and inspection work in the following aspects: (1) We must strengthen the establishment of a product quality monitoring and inspection network. We must quickly establish a relatively complete, authoritative, and efficient product quality monitoring and inspection network throughout the nation. We must emphasize the gradual implementation of quality monitoring and inspection of key products related to the people's livelihood, products that affect people's life, safety and health, products that have been awarded quality awards by the state, products that carry the "superior" label and daily commodities that are closely related to the masses. (2) We must actively establish and develop product quality recognition work. We must select inspection units that have favorable conditions to gradually develop quality recognition for energy conserving products, electronic components, electrical engineering safety products and some products that are mass produced and that have a broad market according to international standards or advanced foreign standards to improve the reputation of our nation's products in domestic and foreign markets. (3) The agencies that inspect measuring instruments, pharmaceuticals, boilers, ships, foodstuff sanitation and export and import commodities are authorized special inspection agencies of the state. These agencies and monitoring and inspection agencies of standardization departments should be relatively independent. They should exercise third party inspection. They should follow related state regulations, share the work and responsibility, strengthen cooperation, coordinate closely, fully develop their own advantages and carry out product quality monitoring and inspection work well together.

## State Standards Formulated, Revised

Beijing BIAOZHUNHUA TONGXUN [STANDARDIZATION NEWSLETTER] in Chinese No 3, 1983, p 3

[Article: "China Formulated and Revised 1,054 National Standards in 1982"]

[Text] According to informed sources, our nation established and revised a total of 1,054 national standards in 1982. Among them were 1,012 national standards for industrial and agricultural products (including sanitation and environmental protection), and 42 national standards for engineering construction (including design blueprints).

Up to the end of 1982, our nation had a cumulative total of 4,462 national standards. Among them was a cumulative total of 3,908 national standards for industrial and agricultural products (including sanitation and environmental protection), and a cumulative total of 554 national standards for engineering construction (including design blueprints).

In 1982, the number of national standards for industrial and agricultural products (including environmental protection, sanitation) actually established and revised by the state showed an increase of 23.1 percent over the number established in 1981 (822 standards).

The percentages of basic standards and standard methods among the national standards established in 1982 for industrial and agricultural products (including environmental protection, sanitation) both increased while the percentage of standards for products dropped.

9296

CSO: 4013/219

## CONSTRUCTION

### BEIJING MAYOR ON KEY NATIONAL PROJECTS

OW101455 Beijing XINHUA in English 1209 GMT 10 Jun 83

[Text] Beijing, 10 June (XINHUA)--Ground will soon be broken here in the Chinese capital for the new Beijing library complex and an international telecommunications center, both among 70 key projects listed for China's Sixth Five-Year-Plan period.

The announcement appeared in today's Beijing daily. Beijing Mayor Chen Xitong pledged that the city would do its utmost to guarantee successful completion of all eight key projects in the capital. His pledge came yesterday at a panel session of the current national people's congress.

Next in scale only to the great hall of the people, the new library complex will occupy 160,000 square meters of floor space in northwest Beijing, where several universities and colleges are located. The project will include a 22-story main building for storing 20 million books, 36 reading rooms with an estimated daily capacity of 8,000 people, a catalogue hall with computer-controlled system and an audio and video data building.

The international telecommunications center will be built in eastern Beijing. Upon completion, international telephone service in Beijing will be fully automated.

To ensure prompt completion of the key projects, Chen Xitong said, the municipality would rearrange priorities, pool available financial, material and human resources and cut projects outside of the state plan.

In serving the key national projects, the mayor said, Beijing hopes to improve the city's infrastructure including facilities for supplying water, electricity, gas and heat.

The six other key national projects in the capital are a color television center, a Sino-Japan friendship hospital and Dongfang chemical works, which are being [as received] under construction or has gone into trial operation, plus three trans-regional projects in the capital.

CSO: 4020/86

## CONSTRUCTION

### BRIEFS

PREFABRICATED CONCRETE HOUSING--Nanjing, 3 June (XINHUA)--Chinese peasants are now using more prefabricated concrete parts in building houses, according to a national conference on rural home building materials which closed today. China now has 670 enterprises producing prefabricated concrete parts, including beams, pillars, rafters and flooring for its rural population. The output reached 2.2 million cubic meters in 1982 in dozens of varieties. This saved timber now in short supply in many parts of the country, those attending the conference in Wuxi City in Jiangsu Province was told. China has experienced a housing boom in the countryside in the past few years, with rural houses covering 600 million square meters of floor space built in 1982 alone. In many villages, brick and tile houses, including two-story dwellings, have replaced earthen brick cottages. The boom is expected to continue, the conference was told. The conference, held from 28 May through 3 June, was sponsored by the administration of building materials industry. [Text] [Beijing XINHUA in English 1400 GMT 3 Jun 83 OW]

CSO: 4020/86

## DOMESTIC TRADE

### BRIEFS

ANHUI TEA SALES--Anhui Province has taken measures this year to promote marketing of spring tea. According to statistics, as of 25 May, the province sold a total of 500,000 dan of tea, or 62.5 percent of the province's total tea output this year, an increase of more than 50,000 dan over the same period last year. [Summary] [Hefei Anhui Provincial Service in Mandarin 1100 GMT 28 May 83 OW]

SHANXI COMMODITY SALES--According to the state statistical bureau, in the first 3 months of 1983, the retail sales of commodities reached 1.666 billion yuan, up 12.4 percent over the corresponding period of 1982. Of this, the retail sales of edible vegetable oil increased by 26.7 percent; wine, 21.8 percent; woolen piece goods, 21.4 percent; and watches, 38.9 percent. The retail sales of other commodities such as sugar, cigarettes, chemical fibres, bicycles, transistor radio sets, grain, and port also increased substantially. The total value of agricultural capital goods reached 235 million yuan, up 20.5 percent over the corresponding period of 1982. Of this, the sales of chemical fertilizer increased by 72 million tons, or 22.8 percent; tractors, 1,700 or 100 percent; and motor-driver machinery for farm use, 580 or 41.4 percent. Retail sales by the collective and individual commercial and service units rose by 46.2 percent. [Summary] [SK120647 Taiyuan SHANXI RIBAO in Chinese 20 Apr 83 p 1]

CSO: 4006/589

## FOREIGN TRADE

### PROVINCE DEVELOPS FOREIGN CONTRACTS, LABOR COOPERATION

Nanjing XINHUA RIBAO in Chinese 10 Feb 83 p 1

[Article by Yao Guoguang [1202 0948 0342]: "Contracting for Foreign Projects and Launching Labor Service Cooperation"]

[Text] Contracting for foreign projects and providing technological services and labor service is becoming a new and developing undertaking in our province's foreign economic trade. According to the statistics compiled by relevant departments, since 1979, our province has signed 26 foreign construction project contracts and labor service contracts, the volume of business of which is over \$36 million, and has sent out over 2,600 technicians, engineers, and workers, who have already fulfilled 5 of the contracts and are now working on the other 21. The province has already expanded its foreign cooperation relations to over 10 countries and regions.

Contract projects and labor service cooperation are forms of economic cooperation widely used internationally. Our province's economic base is comparatively rich, and it enjoys a certain superiority in labor power and technology. Entrusted by the state for many years, our province has contracted for and completed over 50 engineering projects and labor service projects, and has trained trainees, medical practitioners, and technical and managerial personnel. In its practice, it has gradually accumulated some experiences in launching the work of foreign economic and technological cooperation.

After the 3d Plenary Session of the 11th CPC Central Committee, with the approval of the State Council, China's Jiangsu International Economic Technological Cooperation Company was formally set up. By independently doing business directly with foreign countries, it has provided our province with good conditions for launching foreign contract engineering projects and labor service cooperation on a bigger scale. As of now, it has developed from only providing technological services and labor service to contracting labor and contracting construction projects. The content of cooperation is fairly wide-ranging, and in the contract engineering projects there are contracts for building parks, residential housing, and factories and for installing complete sets of equipment; in the technological service and labor service cooperation projects, there are technical trades such as building construction, phosphate fertilizer, agricultural chemicals, textile, lacquer making, plastics, brick making, gypsum, cement, bicycle production, and Chinese cooking.

Acting in accordance with the principle of "keeping promises, getting small profits, insuring quality, and valuing justice," the engineering and technical experts and the workers sent abroad by our province are in the prime of life and possess a definite theoretical base and practical experience. They maintain high standards and strict requirements, so that in the co-operation projects there are construction safety and civilized production, and the rate of progress of a project is fast and of good quality, thereby winning prestige for the motherland. For example, after our province completed its project contracted with the New York Metropolitan Museum in American to build a "Mingxuan" courtyard of the type found in China's Suzhou, the Sun Yatsen Park in Vancouver, Canada, invited our province to build, in cooperation with it, a Suzhou-type courtyard and the designs for it have already been completed. The provincial construction department in cooperation with a Japanese company, provided the construction labor service for the construction of two general hospitals in Iraq. Because our construction contingent was well organized and had perfect mastery of skills, its labor productivity rate was high, the construction quality was good, and the project was completed ahead of schedule. Extremely satisfied, the Japanese side proposed and signed new construction cooperation contracts for three general hospitals. The workers sent to the Arbil Woolen Mill in Iraq are all women comrades. Their attitude toward labor is good and the quantity and quality of their work is high. The carding and weaving workers card and weave 40 percent more bolts of cloth than do local workers. Because of this, the mill has asked our province to send it additional personnel. The technical service team sent to a bicycle and aluminum pipe industry company in Iraq within a short period of time increased a handlebar shift's output from 80 to 250 handlebars and a rim shift's output from 180 rims to 500 rims. The factory has praised the Chinese for their competence and technical mastery.

9727

CSO: 4006/332

## FOREIGN TRADE

### URBAN CONSTRUCTION IN ZHUHAI CITY DESCRIBED

Guangzhou NANFANG RIBAO in Chinese 1 Feb 83 p 1

[Article by staff reported Tao Guangyuan [7118 0342 0337] and staff correspondent Liang Guangzhong [2733 0342 0022]: "Zhuhai City's 3 Years of Capital Construction Surpasses That of 30 Years"]

[Text] Urban construction has been rapidly developed in Zhuhai city. Last year, the sum total of investment in capital construction reached 105 million yuan, an increase of over 60 percent as compared to that of the previous year; the area of completed projects was 150,000 square meters, an increase of 10.3 percent as compared with that of the previous year. At present, ground has been broken for residential quarter after residential quarter, and new enterprises, guesthouses, and restaurants are springing up like bamboo shoots after a rain.

Formerly, Zhuhai city was a small town with only a few old streets and very few shops. In 1979, it became a city under the jurisdiction of the provincial government and a pilot special economic zone, and the city, based on the actual situation in Zhuhai, swiftly formulated an overall plan for urban construction. According to the overall plan, Zhuhai city was divided up and built into five city districts, each with its own special features, separated by green belts and connected by roads, and 15 scenic spots, parks, and green belts were linked up, so that they formed a park-like city with southern scenery. In the first 3 years of building the city, the investment in capital construction and the area of completed projects exceeded the totals since Zhuhai's liberation. Since the beginning of last year, the development has been even faster. A 220,000-volt power transmission and transformer station, the Gonghe waterworks, and a cement plant extension project have been built on and put into operation one after another, supplying Aomen [Macao] with water and electricity. The Jiuzhou Port docks, which play an important role in the economic development of the special economic zone, were completed and put into use in September of last year. In the tourism field, a number of guesthouses and restaurants, which are of quite good construction quality and have fairly complete equipment, have been built and put into service one after another. Last year, over 37,800 square meters of tourist facilities and 548 additional guest rooms were built. Of this, the guesthouses in Zhuhai opened last year have Chinese and Western dining rooms, coffeehouses, arcades, as well as inter-



national conference centers equipped with a four-language simultaneous translation system and a tape and film system, which have been well received by foreign guests and compatriots from Hong Kong and Aoman. The Gonghei Guesthouse, located on a stretch of wasteland in the seaside special zone of Dongbu in Gongbei district, and which is run in cooperation with foreign businessmen, is already in the interior decoration stage. In the Dongbu special zone, the new housing developments of Yin Hai and Haibin and the new holiday resort of Zhuhai have either been built or are under intensive construction. Big swimming and recreation centers in all shapes and colors are now being intensively constructed in Zhubei. Ground has been broken for civilian residences. Last year, the total area of completed urban residential projects in the city was 180,000 square meters, an increase of nearly two times over that of the year before.

There has also been new progress in road building in the urban districts of Zhuhai city. Work has begun on building or repairing 14 streets that run through the city proper. Construction began in October last year of the 40-meter-wide, 5,000-meter-long Xingang Road, and 2,500 meters of roadbed have been completed. Last year, over 11,600 meters of road were built--over 369,000 square meters in area--and 23 drainage ditches were built. During the road building, drawing a lesson from "digging up roads without end" in the past, they buried underground at the same time drainage pipelines, sewage pipelines, telecommunications and electric cables, so that roads are clear, water flows, telecommunications are open, and lamps are bright.

With Zhuhai city's urban construction developing so fast in such a short period of time, from where do the funds for this come? A responsible comrade of the city government told us: We mainly depend on attracting foreign capital to stimulate the economy and increase income. In recent years Zhuhai has attracted capital by signing agreements for 350 projects with a planned investment of \$1.27 billion. At the same time, full use is made of special policies and flexible measures in order to vigorously develop production and stimulate the economy. Last year, total output value of industry and agriculture increased by 10 percent over that of the previous year, and was double the total output value of 1978. Revenue increased by 30 percent over that of the previous year and was 7.7 times the figure for 1978, and this has provided a lot of funds for urban construction.

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CSO: 4006/332

FOREIGN TRADE

SHENZHEN OFFICIAL WELCOMES TAIWAN INVESTMENT

HK101240 Guangzhou YANGCHEN WANBAO in Chinese 22 May 83 Hong Kong, Macao  
Overseas Edition p 1

[Report by special correspondent Zheng Jintang [2583 6930 2768]: "Shenzhen Welcomes Taiwan Compatriots To Make Investments"--passages within slantlines published in boldface]

[Text] With a view to clearing the minds of Taiwan compatriots about certain questions concerning the special economic zones in our country, this reporter recently had a special interview with Sun Kaifeng, manager of the development company in the Shenzhen special economic zone. The following are some major questions in this respect.

/Question: Our elders and brethren in Taiwan are much interested in the situation of the special economic zones of the motherland on the mainland. Would you mind giving an account on it?/

Answer: I am happy to learn that compatriots in Taiwan are much interested in the special economic zones of the motherland on the mainland. And I am pleased to give a brief on the development of the Shenzhen special zone over the past 3 years.

/Question: Would you please first say something about the aim of building special economic zones in the motherland?/

Answer: In recent years, our country has been politically stable and economically flourishing. A new situation in socialist construction has been created. Opening to the outside world in the economic field and promoting economic and technical exchanges with foreign countries in line with the principle of mutual benefit is a consistent policy of our country. The aim of building special economic zones is precisely to promote economic cooperation and technical exchange with foreign countries, to step up socialist modernization, and to expedite an early realization of the great cause of the peaceful reunification of the motherland.

/Question: What is the situation in the development of the Shenzhen special economic zone?/

Answer: The situation is excellent and encouraging. By the end of last year, the zone had concluded contracts with foreign investors for more than 1,540 projects. In addition to the 113 contracts signed in the first quarter of this year, there are now more than 1,650 projects, to be built with foreign capital amounting to HK\$11 billion; more than HK\$1.7 billion has already been used for the construction of these projects.

Such a large amount of foreign investment has expedited the development of various undertakings in the zone. The total output value of the city's industry in 1982 amounted to 362 million yuan, 6 times more than in 1978, before the special economic zone was designated. Meanwhile, aggregate sales have increased by 62 percent every year since then; 1982 saw a total of more than 554 million yuan.

Over the past 3 years, urban construction in Shenzhen has brought changes day after day. Annual investment in urban capital construction increased on an average rate of 134 percent. In 1982, gross investment funds reached 1.7 billion yuan. Most of the funds were used in building houses. More than 800 buildings of less than 17 stories have already been erected, covering a floor space of 800,000 square meters, while 37 buildings of 18-44 stories are now under construction.

Tourism is also progressing quickly in the special zone. Six tourist areas, including the holiday resorts around the Xili Lake and the Yujin Hot Spring Club around the Shiyan Lake, are now open to the public. The number of tourists to the Shenzhen special zone reached 400,000 in 1982.

/Question: What advantages may foreign investors have in establishing factories or engaging in other undertakings in the Shenzhen special zone?/

Answer: In my view, there are many advantages. As Shenzhen borders Hong Kong, it is more convenient to incoming and outgoing passengers. In addition, favorable consideration is given to foreign investors in tax payment, use of land, and employment of workers, which are prescribed in special economic zone regulations in a legal form for the benefit of foreign investors. As a matter of fact, many foreign investors are now more confident than before as they have gained what they expect. So they are planning to increase their investment.

/Question: May I know whether there is any special preferential treatment for compatriots in Taiwan who intend to invest in industrial enterprises in the Shenzhen special zone?/

Answer: Yes, there is. Compatriots in Taiwan are our own flesh and blood and descendants of Huang Di [the yellow emperor]. We sincerely welcome their investment in the Shenzhen special economic zone and special preferential treatment will be offered to them. According to a circular issued recently by the State Council, except for current preferential treatment as stated in special economic zone regulations, more favorable consideration is given in the following three ways to compatriots in Taiwan who intend to come to the motherland in the mainland to make investments in special economic zones: 1) Enterprises engaged by Taiwan compatriots in independent business operation or cooperative

production or joint business operation in special economic zones, which are scheduled to operate for a period of 10 years or more, may be exempt from income tax in the first 4 profit-making years and allowed a 50 percent reduction in the following 5 years. 2) Thirty percent of products of the above-mentioned enterprises which are made with imported raw materials, spare parts, or components and using modern technology may be sold on the domestic market if they are salable and are normally imported. 3) The above-mentioned enterprises shall be exempt from land charges during the time of construction and in the first 5 operational years.

/Question: What formalities should be completed for Taiwan compatriots to come to the Shenzhen special economic zone for making investments?/

Answer: The formalities are relatively simple. Taiwan compatriots may telephone or send a telegram to us in Hong Kong, or they may ask their relatives or friends in Hong Kong to contact us; we will immediately help them complete all formalities for coming to Shenzhen to talk with us. If it is not convenient for them, they may entrust their agents in Hong Kong or other places to talk with us.

/Question: What do you think about the prospect of the development of the Shenzhen special economic zone?/

Answer: The establishment of special economic zones is a long-term policy of our government. The Shenzhen special economic zone will be turned into a major base to promote economic cooperation and technical exchange with various countries and regions in the world. It has a very bright future because it is the biggest one compared to "economic free zones" of other countries in the world.

CSO: 4006/590

## FOREIGN TRADE

### BRIEFS

SHANXI DIRECT EXPORTS--After being approved by departments of the central authorities, effective immediately, Shanxi Province will directly export its export goods produced by its textile enterprises instead of transferring the goods to the Tianjin Port Company for export. Major export textiles of the province include cotton yarn, cotton cloth, twill, corduroy, synthetic leather, towels, cotton knitwear, serge, and so on. [Summary] [Taiyuan SHANXI RIBAO in Chinese 9 Apr 83 p 1 SK]

HUBEI INTERNATIONAL COMPANY ESTABLISHED--Hubei Province has vigorously carried out economic and technological cooperation with foreign countries. Since 1981, the province has signed contracts with Iraq, Libya, Pakistan, Algeria, and Kuwait for labor work in 18 projects which has involved 1,995 people. The province has sent 1,235 people to engage in labor work in 14 projects in 3 countries mentioned above. With a view to meeting the needs of the development of international economic relations, giving better play to the advantages and potential of localities, and strengthening economic and technological cooperation, with the approval of the State Council, the Hubei International Economic and Technological Cooperation Company, China, was formally established today. The tasks of this company are to organize the forces of all quarters throughout the province to carry out economic and technological cooperation with foreign countries under the leadership of the provincial government. Tian Ying and Guo Zhenqian, vice governors, attended today's inaugural rally and spoke. Guo Zhenqian is the chairman of the board of directors of this company. [HK101530 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 2 Jun 83]

CONSTRUCTION ABROAD--Fuzhou, 11 June (XINHUA)--A corporation to undertake construction projects and provide services abroad was inaugurated yesterday in Fuzhou, capital of Fujian Province, east China. The China Fujian Corporation will sign contracts with foreign clients to undertake projects abroad ranging from industry, agriculture, communications, water conservancy and power generation to public health. The predecessor of the new corporation was the Fujian Corporation for construction in foreign countries, which had undertaken 25 construction projects including highways, sugarcane and tea farms, sugar refineries and indoor stadiums in some 20 countries and regions in the last few years. With Wang Yan, an economic management expert, as the president, the new corporation has already established business contacts or concluded contracts with firms in Japan, the Philippines and the United States as well as firms from Hong Kong and Macao. [Text] [OW110734 Beijing XINHUA in English 0722 GMT 11 Jun 83]

## LABOR AND WAGES

### SICHUAN CITY PROMOTES WORKERS' TRAINING

OW101451 Beijing XINHUA in English 1215 GMT 10 Jun 83

[Text] Chengdu, 10 June (XINHUA)--About 200,000 workers here in Chengdu, a major industrial center in southwest China and capital of Sichuan Province, are studying--while on full pay--in the city's 4,500 training establishments, developed in the last 4 years.

This figure represents 70 percent of the city's total middle-aged and young workers, compared to 60 percent in 1981, according to a trade union official in charge of the training program.

Nearly all the 2,640 industrial enterprises in Chengdu have independently or jointly set up training schools or classes, offering college or secondary technical courses including electronics, physics, engineering, mathematics and English. More than 160,000 workers have graduated from these training courses in the last 2 years, the official said.

The development of workers' technical training has taken place against a background in which more and more industrial enterprises are undergoing technical transformation in the current modernization drive.

According to Zhao Shouyi, Chinese minister of labor and personnel, workers in the three lowest technical grades account for 70 percent of China's total work force. More than half should be trained to intermediate or senior levels within 10 years, the minister predicted.

The official cited the Sichuan chemicals machinery plant as one of those enterprises benefited from the training effort. The majority of the 3,000 workers in the plant have undergone training and as a result, 80 percent of them are now technically competent. Last year, a group of young workers in the plant succeeded in developing a component for an imported equipment, for which they won a state award.

The city now has an extensive network of workers training supported by 1,700 full-time and 5,000 part-time teachers, the official said.

CSO: 4020/86

## LABOR AND WAGES

### BRIEFS

COAL MINE SAFETY--Beijing, 1 Jun (XINHUA)--In May China's coal mines registered the best record in production safety compared with the past 3 years. The number of injuries at state coal mines dropped by 22 percent as compared with April, while production of raw coal exceeded the target by 1.2 million metric tons. The number of injuries at state coal mines from January to April this year increased by some 20 percent compared with the same period last year. Since May, coal mines of all localities have conscientiously followed the instruction on ensuring coal mine production safety put forward by a leading comrade of the central authorities, conducted production safety education among staff and workers, improved safety inspection and properly implemented all safety measures. [Summary] [Beijing XINHUA Domestic Service in Chinese 1718 GMT 1 Jun 83 OW]

CSO: 4006/589

## TRANSPORTATION

### BRIEFS

DEEPWATER WHARVES--Beijing, 31 May (XINHUA)--This year, 12 deepwater berths will be completed and put to use, adding about 20 million metric tons to China's harbor loading and unloading capacity. Eleven of the new deepwater berths are of the 10,000-ton class, including 2 container berths in Shanghai, 2 deepwater berths in Dongdu Harbor, Xiamen, Fujian, and 1 container berth in Huangpu, Guangdong. A 20,000-ton and a 50,000-ton berth will be completed for the Qinhuangdao coal wharves this year, with an annual coal loading capacity of 10 million metric tons. In addition, five salt, coal and miscellaneous cargo berths will be completed and put to use in Tianjin, Zhenhai, Nantong and Zhangjiang in the latter half of this year. [Summary] [Beijing XINHUA Domestic Service in Chinese 1155 GMT 31 May 83 OW]

BEIJING-QINHUANGDAO RAILWAY--Shijiazhuang, 30 May (XINHUA)--The 281-kilometer multiple-track electrified Beijing-Qinhuangdao Railway is near completion. Completion of the new railway will be of great economic significance. It will link up with the Fengtai-Datong Railway, which is now being electrified, to form a main artery, transporting coal from Shanxi to Qinhuangdao and alleviate the coal shortage in north, east and northeast China. The roadbed is now basically complete; 166 kilometers of tracks have been laid; the main bridges and culverts are complete or near completion; and the 1,439-meter-long double-track Dingzhuang tunnel is 80 percent complete. [Summary] [Beijing XINHUA Domestic Service in Chinese 0131 GMT 30 May 83 OW]

QIQIHAR-NANJING THROUGH TRAIN--The Ministry of Railways has decided to open through train No 144 from Qiqihar, Heilongjiang Province, to Nanjing City of Jiangsu Province on 11 April. [Text] [Harbin HEILONGJIANG RIBAO in Chinese 3 Apr 83 p 1 SK]

HENAN HIGHWAY BRIDGE--Zhengzhou, 24 May (XINHUA)--Preliminary construction work on a 1,200-meter, pre-stressed-concrete highway bridge across the Yellow River is under way in Zhengzhou, the capital of Henan Province. When completed in about 3 years, it will be the longest highway bridge in China, provincial authorities said. The bridge and the approach span are designed to have 123 arches, the largest spanning 50 meters. The bridge will be 18 meters wide for vehicles. Located at Huayuankou on the lower reaches of the river, an area often menaced by heavy floods, the bridge will have piles driven as deep as 75 to 80 meters. At present there is only a single-lane highway bridge across the Yellow River in Zhengzhou, one of the busiest hubs of south-north communications in China. The new bridge is expected to alleviate the tense of traffic in the area. [Text] [Beijing XINHUA in English 1248 GMT 24 May 83 OW]



GENERAL

#### HEBEI NPC DEPUTY MAKES ECONOMIC PROPOSAL

OW111434 Beijing XINHUA in English 1332 GMT 11 Jun 83

[Text] Beijing, 11 June (XINHUA)--An NPC deputy from Hebei Province, north China, made a comprehensive proposal at a panel discussion today on reforming the planning, financial and labor systems.

Liu Bingyan, chairman of the Hebei Provincial People's Congress standing committee, said that notable results have been achieved in restructuring the economic set-up over the past 5 years.

The substitution of taxes on enterprises for profits delivered to the state, experiments on giving better play to the role of the major cities in organizing production and circulation and the reform of the rural commodity circulation system constitute a breakthrough in the economic reform, he said. This reform should be extended in the next few years to lay a solid foundation for revitalizing China's economy.

With regard to the planning system, he proposed substituting the present system of economic targets centering around output value with those indicating economic results, and compiling a catalog of products indicating the characteristics of the products of each economic zone.

As for the reform of the financial system, Liu Bingyan said that, after the taxes and tax rates are fixed, routine checks coupled with rewards and punishments on the job responsibility system should be made to consolidate the results already achieved. The collectively-owned enterprises, especially those run by rural communes and production brigades, should institute the contracting system whereby the factory manager assumes overall responsibility, and give the factory managers a free hand in production and management.

Referring to the labor system, the deputy said, more workers should be employed by contract and casual workers increased. All workers must get training before assigned to specific jobs. Secondary vocational schools and technical schools should become the main source of new workers. Professional personnel should be allowed to move from one enterprise to another.

In agriculture, he suggested that the production responsibility system should be extended to cover barren hills, grassland, deserts, water surface and beaches. A variety of agricultural complex and unified rural markets should be set up. It is necessary to strengthen guidance through planning and gradually bring about a socialist agriculture with distinct Chinese characteristics.

CSO: 4020/86

GENERAL

## GANSU GOVERNOR SPEAKS ON PROVINCE'S CONSTRUCTION

HK120234 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 11 Jun 83

[Excerpts] According to XINHUA, during panel meetings at the first session of the Sixth NPC, Governor Chen Guangyi of Gansu said: Premier Zhao's government work report is imbued throughout with the principle of seeking truth from facts. It has scientifically summed up the tremendous achievements scored in the past 5 years together with the experiences and lessons, and explicitly proposed the main tasks for the next 5 years. We must precisely apply this principle of seeking truth from facts to guide work in Gansu.

Chen Guangyi said: For a very long time in the past, economic construction failed to develop rapidly in Gansu and there was not much change in the poverty of the province. Thus we got the worst of it through violating the principle of seeking truth from facts. Since the 3d Plenary Session of the 11th Central Committee, we have brought order out of chaos in all fields, eliminated leftist influence, and launched the cadres and masses to sum up the experiences and lessons of history and recognize afresh the special features of Gansu.

On the tasks of the next 5 years, Chen Guangyi said: Gansu's tasks are heavy yet glorious. From now on, we must mobilize the people of the whole province to vigorously eliminate poverty and become rich and strive for a new situation in 5 years and a great change in 10 years, with new accomplishments every year, so as to lay the foundation and make preparations for the state's vigorous economic development in the 1990's and for all-round development and construction in the great northwest.

1. We must promote agriculture. The stress here is on speeding up the construction of the Hexi commodity grain base; we must strive to have it producing 1.2 billion jin of commodity grain by 1990. At the same time, we must change as quickly as possible the arid appearance of the central part of the province, as represented by Dingxi. The construction of Hexi and Dingxi is a key project for vigorously promoting the economy of Gansu.

2. We must work hard to bring about notable improvement in economic results and strive for simultaneous increase in industrial output value, economic results, and revenue, actively expand the sources of revenue in all respects, and strive for a turn for the better in the province's financial situation.

3. We must change the poverty of the prefectures and counties and of the rural masses.

4. We must ceaselessly get a good grasp of planting trees and grass.

5. We must grasp the development of brain power and technology as an item of capital construction for promoting Gansu's economy, launch all sectors and trades to run schools, and strive to basically introduce universal elementary education by 1990. At the same time the number of students in the rural vocational and technical schools should reach that of students in ordinary senior secondary schools.

6. We must take full advantage of our superiority in energy and speed up the construction of energy and communications.

CSO: 4006/589

GENERAL

LIANG LINGGUANG TALKS ABOUT GUANGDONG'S ECONOMY

OW100431 Beijing in Mandarin to Southeast Asia 0900 GMT 9 Jun 83

[Recorded talk by Liang Lingguang, deputy to Sixth NPC and governor of Guangdong]

[Excerpts] Fellow countrymen overseas: Through Radio Beijing, I wish to take this opportunity of attending the Sixth National People's Congress in Beijing to tell you about the economic situation in Guangdong.

The total value of industrial and agricultural output in Guangdong in 1982 was more than 38 percent over that in 1978, with an average annual growth rate of 8.5 percent. This growth rate is above that set in the Sixth 5-Year Plan and far exceeds the requirement laid down by the state's Sixth 5-Year Plan of "insuring an average annual growth rate of 4 percent and striving for a 5 percent increase in the course of carrying out the plan"

For the past 4 years Guangdong has witnessed a sustained overall growth in agriculture, forestry, fishery, animal husbandry and sideline production. Output of grain, peanuts, sugarcane, fruits, rubber, tea, hogs, cattle and freshwater fish hit a record high in 1978.

The sound foundation of Guangdong's light industry has been brought into full play. The output value of light industry in Guangdong in 1982 reached 17.5 billion yuan, representing an increase of 55 percent as compared with 1978 and an average annual growth rate of 11.6 percent. The province has also readjusted its service orientation in heavy industry and maintained a reasonable rate of growth.

Geographically, Guangdong is situated close to Hong Kong and Aomen. This geographical location is conducive to developing foreign trade. At present Guangdong has initially created a favorable situation in opening itself to the world. During the past 4 years the province signed more than 21,500 contracts with foreign businessmen covering joint ventures, cooperation in management, manufacture of goods with the buyers' own materials, and compensation trade. Funds totaling some U.S. \$800 million have been invested for this purpose. The total volume of exports more than doubled. The province more than tripled its foreign exchange earning for the state as compared with the 4 years prior to 1979. In addition, Guangdong is building three special economic zones. The creation of

the Shenzhen special zone has been initially completed with a total of 1.7 billion yuan invested in capital construction. New developments have also been scored in the construction of the Zhuhai and Shantou special zones. The establishment of the special economic zones has had a tremendous impact at home and abroad.

A region which has made fairly rapid economic development in the province is the Zhujiang delta. In Nanhai, Shunde, Zhongshan and Dongguan counties, total industrial and agricultural output value has exceeded 1 billion yuan. The people in this region have greatly improved their living standards. Per capita income of peasants in the rural areas of Shunde is an average of 740 yuan. More and more people build new houses, buy high-grade consumer goods, have more savings in the bank and do more traveling with their own money.

Not long ago, I went to Hainan Island where the potential for future development is tremendous. As for rubber production, some 4 million mu of rubber has been growing well. In 1982 Hainan produced some 80,000 metric tons of rubber and became a major base area for natural rubber production in China.

Fellow countrymen overseas: Guangdong's economic development has just begun. The first session of the Sixth Provincial People's Congress was held in April this year. It put forward the Sixth 5-Year Plan for economic development in Guangdong. According to the plan, the total output value of industrial and agricultural production in the province in 1985 should increase by 36 percent as compared with 1980, and the people's living standards should rise substantially. We are now mobilizing all the people in the province to work harder than ever before in order to fulfill this 5-year plan 1 year ahead of schedule.

At the same time, in addition to our efforts to build the special economic zones and vigorously develop Hainan Island, we also plan to build the Zhujiang delta economic zone with Guangzhou as the center to bring into full play the favorable factors in this area such as rich soil, ample transport facilities, the large number of overseas Chinese, convenient location for conducting foreign trade, rapid developments in commodity production and a fairly strong force in science and technology. The development of this economic zone is conducive to realizing the four modernizations program in the province and to supporting the construction of the special economic zones, helping the mountainous areas develop their economy, quickening the pace in developing Guangdong's economy and fulfilling the strategic plan of quadrupling the gross annual value of China's industrial and agricultural production ahead of schedule.

CSO: 4006/590

## GENERAL

### NORTH REGION ECONOMIC, TECHNICAL COOPERATION

OW130643 Beijing XINHUA Domestic Service in Chinese 1309 GMT 11 May 83

[By reporter Yu Huiyin]

[Text] Beijing, 11 May (XINHUA)--Regional economic and technical cooperation will benefit both areas with advanced production technology and areas with rich natural resources. This was the unanimous conclusion of the second North China Regional Economic and Technical Cooperation Conference that ended today.

Regional economic cooperation between Beijing, Tianjin, Hebei, Shanxi and Nei Monggol began in October 1981. Owing to the common efforts of these municipalities, provinces and autonomous region this economic cooperation has yielded fairly good results. According to incomplete statistics, 299 joint economic projects and more than 1,900 projects on technical cooperation and scientific research for solving difficult problems were carried out in the past year and more. Total value of the materials involved in this economic and technical cooperation exceeded 840 million yuan. This cooperation has also been expanded from industry to all fields of the national economy and social services, from general technical exchange to technical cooperation and transfer of technology and from short-term cooperation in piecemeal projects to establishment of long-term cooperative relations. Good results have also been achieved in the fields of personnel training and exchange and technical consultation. At the same time, the North China Region has also had economic exchange with 23 provinces, municipalities and autonomous regions throughout the country.

Areas with advanced technology have aided areas with rich natural resources with their capital, technology and talented people. Through this cooperation Nei Monggol has acquired over 151 million yuan to be used in 18 economic cooperation projects including sugar refining, exploitation of nonferrous mineral resources, transformation of coal mines, diversified utilization of forests, glass making and soda ash production. The annual output value and tax payment will be increased by some 80 million and 13 million yuan respectively after these projects are put into operation. With technical assistance from Tianjin, Beijing, Jiangsu and other fraternal provinces and municipalities, Shanxi, Hebei and Nei Monggol have solved many problems such as technical backwardness and high prices for inferior quality products. Through technical cooperation Shanxi's glassware, light industrial products and textiles, and Nei Monggol's foodstuff, confectionary, chemical fertilizers, printing materials and dyestuff have all been improved

quantitatively and qualitatively. Owing to technical cooperation, Shanxi's small chemical fertilizer enterprises made a profit of more than 6 million yuan in 1982 as compared with a loss of over 18 million yuan in 1981.

Economically underdeveloped areas have also helped the technologically advanced areas with their rich natural resources which have facilitated the economic construction of the latter. In the past year and more, Shanxi and Nei Monggol have supplied Shanghai, Zhejiang and Jiangsu with more than 8 million dun of coal effectively supporting the production, construction and people's life in these energy-deficient areas. Through economic and technical cooperation, Tianjin Municipality has acquired timber, construction materials, calcium carbide, limestone, yarn for making carpet, feathers, citric acid and other raw and semifinished materials urgently required.

Currently, a crosswise economic connection based on cooperation in technology, materials and personnel is being upgraded in northern China.

The second North China Regional Economic and Technical Cooperation Conference was convened by Beijing Municipality. The meeting exchanged experience in carrying out cooperation and intellectual development. The meeting also discussed over 170 new projects for economic and technical cooperation.

CSO: 4006/590



GENERAL

ECONOMIC, TECHNICAL COOPERATION IN SHANGHAI AREA

HK170810 Beijing JINGJI GUANLI in Chinese No 4, 5 Apr 83 pp 8-11

[Article by Wang Daohan [3076 6670 3211]: "Economic and Technological Coordination and Integration in Shanghai and Neighboring Regions"--passage within slantlines published in boldface]

[Text] Shanghai is an important port and long-time industrial base in China and has had close relations of varying degrees with its neighboring areas. The development of Shanghai's economy is impossible without coordination with the surrounding provinces, cities, and autonomous regions, and the surrounding provinces, cities, and autonomous regions provide a great deal of support for energy and raw materials needed in industrial production, building materials needed in urban construction work, such as cement, bricks and tiles, and grain, and some non-staple products needed by the population as well as native products and small commodities. The development of the entire country's economy and improvements in the people's standards of living have spurred Shanghai's industries to produce all sorts of products, including means of production and means of subsistence, thus supplying a lively market for all regions throughout the country. Normal inspection, visiting, and exchange activities between Shanghai and its neighboring regions have never ceased. Since liberation some of Shanghai's weaving, light industrial, and machine industrial factories and schools and hospitals have spread into neighboring regions, with a total number of more than 1.8 million workers, technicians, and cadres participating in economic construction in all regions. This has been beneficial for readjusting Shanghai's industries and dissipating Shanghai's population. We thus express our heartfelt gratitude to the neighboring areas of Shanghai for the support they have provided.

In this new historical period we must ensure that Shanghai's industrial and agricultural production output is quadrupled by the end of the century and we must ensure this on the basis of the spirit of the party's 12th National Congress. At the same time we must also contribute to the glorious target of "quadrupling" for the entire nation. Shanghai is geared toward both domestic and overseas markets and in the wake of present constant improvements in the agricultural economy, increases in the capacity of domestic rural markets will not be limited. On the other hand, fierce competition on international markets means that we must work very hard to expand what inroads we have already made and develop new markets. In order to achieve the strategic

target of "quadrupling" and in line with the demands of domestic and overseas market developments, we must actively work toward domestic integration and overseas expansion, pressure, and development, while at the same time integrating these two movements and developing production and increasing new channels for circulation. This is an important integral part of the developmental strategy of Shanghai's economy.

In order to develop economic integration with neighboring regions, we must, on the basis of the party's relevant principles and guidelines, draw up the following few principles: 1) Uphold the principle of the entire country being likened to a chess game and start out on the basis of what is needed to benefit economic readjustment and then, under state planned guidance, give expression to regional enthusiasm and carry out coordination between regions and enterprises on the basis of each one's foundations and conditions. 2) Uphold the principle of mutual benefit and mutual interest and adopt economic measures to integrate power, duty, and benefits and mobilize the enthusiasm of both parties involved in coordination to promote production development. 3) Uphold the principle of prioritizing economic results and give ample expression to the advantages of each party involved in coordination and, starting with reforms to existing enterprises, draw up programs according to the overall layout of the economy and based on requirements and possibilities. 4) Uphold the principle of scientific approach, stepping up feasibility analyses of coordination programs, and taking note of the results produced and invested so that, through careful investigation and research, specific policies may be drawn up. 5) Strengthen mutual learning and planned, focused, and phased promotion and exchange of technological and management experiences. The Shanghai people's government has set up coordination offices and has appointed a vice secretary to be in charge of operations there and has requested all relevant economic sectors to select a person to be in charge of work in this area. Information bodies have been set up and top-level schools and institutes have set up scientific and technological service centers. The scientific and technological association has set up an information service department and Huwan, Jingan, and other regions have set up committees for retired engineers, while the science and technology information bureau has set up an information service center. Relevant bureaus, regions, counties, and enterprises should be organized to carry out concrete discussions with their various neighboring regions, drawing up specific programs with measures suited to each region.

Joint efforts by Shanghai and its neighboring regions as well as bilateral and multi-lateral discussions have meant that coordination and integration activities have been constantly increasing and, on the basis of incomplete statistics, Shanghai has in recent years established around 240 different kinds of economic integrated bodies, including compensation trade, joint financed management, integrated production, integrated management of production and marketing, and integrated companies with a total of 17 provinces, cities, and regions. In addition, the city has applied the results of 1,100 scientific research programs and organized 1,800 technological information service activities, while carrying out trial production of around 1,500 scientific research programs. Activities involving the transferral and exchange of

technological and management experiences with factories and enterprises in neighboring regions have been very far-reaching and broad. In Hubei Province alone, 586 enterprises have set up coordination with suitable bodies in Shanghai. Last year, around 1,500 personnel in textile, light, and handicraft industries were dispatched to other regions to carry out technological information services. Last year, each production sector also trained a total of 10,000 technicians and workers for relevant units in neighboring regions. Today, all lines of business in Shanghai, as well as all regions and counties, and even local neighborhood production teams and enterprises, have opened up economic and technological coordination and integration with relevant neighboring work units.

Economic and technological coordination and integration between Shanghai and neighboring regions has already developed from the mere exchange of goods and materials and coordinated processing to integrated development and exploitation of natural resources and integrated production. It has developed from general technological exchange to planned and organized technological coordination and the application and dissemination of the results of scientific and technological research. It has developed from short-term, piecemeal technological and material aid to long-term, consolidated aid. It has developed from visit studies to planned personnel training and personnel exchange. It has developed from cooperation between single work units to economic integrated bodies on a large scale with closely integrated rights, duties, and interests. All this illustrates that the scope of coordination and integration is becoming increasingly wide and is producing very definite results.

The main body of coordination and integration may be divided into the following few styles:

//Integrated Development and Exploitation of Natural Resources.// Integration between the Shanghai smelter and the Yunnan tin No 2 smelter involved having technology provided by the Shanghai smelter and an investment of 1.54 million yuan, all raised independently, and the exploitation of the tailings of the Gejiuhu tin mine to carry out purification processing, and thus within 2 years Yunnan provided Shanghai with 100 tons of refined tin. The integration program in which Shanxi supported Shanghai with coal, involved Shanghai raising funds for the coal consuming work unit, providing 100 million yuan worth of funds within 3 years which was used for technological reforms in the coal industry and thus in 10 years Shanxi provided Shanghai with 5 million tons of coal. Last year Shanghai medical office's supply station carried out integration with the Anhui Huainan alcohol factory and this involved the Shanghai station borrowing 2.6 million yuan from the bank for investments and then carrying out reforms on the existing facilities in the Huainan factory, using local raw materials and thus stepping up the production of ethyl alcohol. In 5 years Shanghai was provided with installments of 10,200 tons of ethyl alcohol. The Shanghai aquatic products supply and marketing company invested 1 million yuan to help construct a freezer in Putuo County, Zhejiang Province, and within 3 years Shanghai was provided with 7.5 million jin of various aquatic products.

//Production integrated bodies with specialized coordination.// The Shanghai No 1 printing machinery factory has very good production technology and experiences but because production capacity was limited, old products were unable to fulfill demand, and new products could not catch up, the factory in 1982 began to carry out integrated production based on the principle of specialized coordination, with the Wuxi County printing machinery factory, which produced similar products. By 1982, production value in the Wuxi factory had increased 88.7 percent while output had doubled, profits had increased by 51.2 percent, production costs were down by 11.9 percent, and product quality stabilized at grade 1 level. The Shanghai factory, after transferring a portion of its production, saw production value still increase in 1982 by 49.2 percent, with profits rising by 55.4 percent and output soaring. It tested manufactured octavo-platform printing machines and new styles of folio-printing machines, filling gaps in product variety and entering the international market.

//Integrated management with joint funding by both parties.// In 1981 the Shanghai Yimin food products No 5 factory launched joint investments with the Heilongjiang Mingshui County industrial bureau, which involved Shanghai providing technology and equipment and carrying out improvements and expansion on the existing candy factory in Mingshui County and using the factory to set up a jointly-run food factory producing candy, milk products, and grape sugar, thus supplying the Shanghai factory with 500 tons of milk products every year. In 1982 the Mingshui factory saw production value increase by 12.6 fold in comparison to production value before the joint venture, while profits increased 30 times over and candy varieties increased from 1 to 30 varieties, while output increased 8.4 times over. This made the products extremely popular and marketable in the province and thus not only provided impetus for production in the food industry, but also promoted the development of animal husbandry in that area.

//Joint management of integrated production and circulation.// The supply and marketing departments of both Shanghai and Zhejiang jointly set up a shop to sell Zhejiang tea leaves in Shanghai which involved relevant Zhejiang tea factories providing a supply of goods according to market demands, with profits being split between the two parties. The Shanghai electrical machinery and electronics supply company supplied locations and personnel for the establishment of joint distribution agencies with Harbin, Wafangdian, and Luoyang ball bearing factories, with each ball bearing factory providing goods while the agency took a certain proportion of fees based on sales figures and made a profit on the sales based on the factory price, which was divided according to prearranged discussions. Fourteen publishing and circulation units in Shanghai and Chongqing raised 280,000 yuan to jointly open and run the Hugu book store and develop an integrated coordinated process involving printing, publishing, circulation, marketing and sales, and readers' services. This greatly enriched the cultural lives of the masses in both areas and was greatly welcomed by readers.

//Economic integration involving composite development of agriculture, industry, and commerce between counties.// Anhui's Fengyang County and Shanghai Country signed a long-term coordination agreement which specified that: From 1983 Fengyang County will under normal harvest conditions provide Shanghai

County with between 20 and 30 million jin annually of dried sweet potato, maize, and other fodder crops. Based on the conditions of natural resources in the area, Shanghai County will every year help develop two to three industrial programs which illustrate good economic results and the preliminary programs drawn up include clothing, furniture, cement, and colored pebbles. Thus industrial and agricultural production in Fengyang County will be spurred on.

//Coordination and integration in day-to-day living services.// Last year Shanghai's Huwan district dispatched 99 well-known technicians to help Hefei and Chaohu districts in Anhui Province develop shoes, clothing, catering, and service, and food market industries, teaching them about processing technology and management experiences and helping to organize Anhui's commercial network, all of which was very warmly welcomed by Anhui's consumers. The Shanghai chemical training school helped Jiangxi set up a ginger products processing plant which produced a medicinal ginger volatile oil, edible ginger juice, gingerpowder, ginger acid, ginger tea, and gingerwine, thus changing the bad situation in which most ginger on the market tended to mildew and rot, and thus satisfying the consumers' demands.

//Transferral and use of scientific and technological results.// In October 1979 the Shanghai Hui biological research department handed over to the Bengbu lemon acid factory technology relating to certain [word indistinct] which was put into production in November of that year so that monthly production rose from 30 to 44 tons and consumption of raw materials dropped by 36 percent, while coal consumption dropped by 28 percent, electricity consumption dropped by 48 percent, and production costs dropped by 35 percent, and thus deficits were made up and surpluses increased. The Shanghai dying and printing machinery factory analyzed and studied prototype dying and printing machinery from abroad and thus completed the design and research experimentation of nearly 100 new products. In 1981 it test manufactured 18 types of new products and propagated them in all weaving and textile enterprises in the region and one of these, an anti-shrinking machine, has already been put into practice in 21 provinces and towns throughout China.

//Training and circulation of expertise.// In recent years, it has not only been industrial departments which have trained personnel for neighboring regions, in addition, scientific and technological, educational, and hygiene departments have also all been involved in teaching and educational activities, setting up training, and remedial classes specializing in different subjects in all areas. In the last 3 years Shanghai has trained a total of 673 educational, hygiene, and technical personnel for Yunnan while outside state plans it has increased Yunnan's enrollment of students in higher education by 116 students. In 1980 and 1981 Shanghai trained a total of 425 people in many different specialized subjects for Ningxia, while sending 66 well-known technicians to relevant enterprises in Yinchuan to carry out technological services. In addition it has also provided limited aid to 53 secondary school teachers. The rational circulation of technical staff has been a good beginning and since last year Anhui, Shandong, and Jiangsi Provinces have advertised for technicians in Shanghai. Last year there were 170 who left Shanghai to report for duty in these provinces, and some of them were in the middle of carrying

out specialized research and others gained better expression of their capabilities in their new positions.

//Coordination carried out with provinces and regions inhabited by national minorities.// In accordance with the party Central Committee and the State Council's directives, Shanghai has carried out coordination with Ningxia and Yunnan. In recent years, discussions on both sides have produced 115 programs with Ningxia and 121 programs with Yunnan. The Shanghai glass bottle No 1 factory provided technology and equipment for the Yinchuan glass bottle manufacturing factory in Ningxia and organized tripartite groups made up of workers, technicians, and management cadres, making use of local fuel and raw materials and thus set up a production work shop producing 8 million beer bottles per year. After several months of hard work on all sides, production of up-to-standard beer bottles fulfilled the needs of local beer factories producing an annual 5,000 tons of beer, while also providing support for neighboring regions.

Practice proves that under the guidance of state planning, organized and step-by-step development of economic and technological coordination and integration with neighboring regions represents a new trend emerging from within economic development in China today. Such integration and coordination is extremely significant in giving expression to the economic advantages of both sides, in transporting coastal technology and experiences inland, in the joint development and composite exploitation of abundant inland natural resources, in remedying insufficiencies in state planning, exploiting the potential of existing enterprises, enlivening the economy, promoting the development of production and technology and improving economic results throughout society. Although this work has already begun to develop, our understanding and appreciation of it is still in the preliminary stages and we still lack systematic experiences in our work. It is especially true that new situations and new questions which are constantly emerging all require more detailed examination and resolution. All of this demands a positive attitude from us so that we may further strengthen investigation and research work and constantly assess experiences so that we may continue to move forwards with our neighboring regions on the basis of the principles of mutual benefit and mutual interest, learning from others' strong points to offset our weaknesses, flexibility, and common development. Here I would like to bring up and discuss some problems which we may face in this work, and give some opinions and suggestions.

//Problems relating to the content of coordination and integration.//

We are at present in the middle of integrating and drawing up economic and technological and social development plans, for the Sixth Five-Year Plan, studying programs of economic and technological coordination and integration involving all sorts of businesses and industries with neighboring regions. Here I would like to make a few points concerning the short term.

1. There should be provision of technology and equipment and aid in region production of all products which are suited to local production and local marketing, such as food products, drinks, candy, and some light industrial and textile products, as well as fertilizers and pesticides and so on.

2. Products which require a great deal of energy and raw materials and those which are transported in large quantities, such as calcium carbide, ethyl alcohol, silicon steel, and so on, should gradually have their production transferred to neighboring regions where natural resources are more favorable and where energy supplies are better, and then coordination relations should be consolidated.

3. Products which sell well on domestic and international markets should have regions and work units selected where joint production can be organized according to industry.

4. Gradually develop the integration of the production of raw materials, carrying out the development of and composite exploitation of natural resources, laying emphasis, in the short term, on the integrated development of pure sulphur mining, non-ferrous metals, coal, pig iron, lumber, cement, bathroom porcelain, and other building materials.

5. Help develop the production of non-staple food products as well as related processing. Shanghai and other areas should set up long-term consolidated supply relations.

//Problems relating to the style of organization.//

1. The organization of integrated companies for developing natural resources. There should be bilateral and multi-lateral fund-raising and the proportions provided by each party should be discussed, as should funding sources, some of which can be provided in the form of technology, equipment, or promises, while the rest must be raised by the enterprise itself.

2. Organization of integrated production companies. Enterprises producing similar products should organize integration between regions, joint-financed management, or production of specific brands, choosing as their target product those in short supply and those which have a short production line, while also taking note of both domestic and international market situations.

3. Organization of foreign trade integrated companies. With unified planning, policies, and guidance, Shanghai's port and economic information services should be used to advantage and jointly-financed management test schemes should be run with profits equally shared and business aimed overseas.

4. Organization of foreign trade service companies. Designed to provide neighboring regions with services related to packaging, storage, and transportation as well as services concerning foreign trade laws, contracts, information and customs. The company may also provide aid in overseas discussions as well as the importation of foreign technology and various other programs.

5. Organization of information services company. These companies may accept the responsibility for improving production technology and improving management and administration in existing enterprises in neighboring regions, providing technological diagnoses and information, and formulating feasibility plans and other similar services.

//Problems relating to economic methodology.//

1. An integrated company must be an economic body and should enjoy more independent power, independently managing and administering its own affairs. The companies should set up a board of directors or a management committee to decide the company's management policies and to implement the management responsibility system under the guidance of the board of directors or the management committee. Within the company, production should be organized according to the principle of specialization. Affiliated enterprises, apart from those which are fulfilling internal contracts, should also have a certain amount of independent management power.
2. The management activities of the integrated companies and its enterprises fall under state planned guidance. The plans of the company and its affiliated enterprises enter the planning of that region and may be readjusted and balanced by the planning department of the region. It is proposed that substituting taxes for profit delivery be carried out in the companies and that taxes on products from each enterprise be calculated according to net production value. Profit which remains after taxes have been remitted to the state are returned to the enterprise and are to be apportioned according to state policies by the board of directors or the management committee. Surplus bonuses should be apportioned between the parties involved in integration according to the proportion of investments made.
3. Technological information services activities should be developed and there should be a positive and active development of a communist character. In order to effectively integrate duty, rights, and interests, some kind of compensation system should be employed. Information service fees or enterprise diagnosis fees may be demanded on the basis of the results of the service program and according to specific proportions. On the other hand, the information service department must bear the economic responsibility for all losses incurred through incorrect information.

//Problems relating to the transferral of technological results.//

The transferral of important technological results should be carried out under the guidance of state planning and such results should not be transferred to enterprise carrying out unfixed production. Any material benefit resulting from the technological results should be retained by the work unit which produced the results, mainly in the form of funds for developing new products and new technology, or collective welfare funds and worker bonus funds. Technological transfer in industrial sectors should also be carried out in this way.

//Problems relating to economic legislation.//

Research should be done to draw up regulations, laws, and stipulations which will guarantee the smooth running of economic integration and technological coordination. Integrated companies should have a constitution, the contents of which should include the organization, scale, investments, economic sphere, distribution of profits, and independent rights of the integrated company. Contact between enterprises should be organized along contract lines.



/Questions relating to strengthening coordination between provinces and cities.//

It is proposed that bilateral or multi-lateral joint conference be set up for responsible comrades from all cities, provinces, and autonomous regions, to examine the developmental situation relating to major programs of technological coordination and integration, to work out problems which arise in the work, and to discuss problems which demand bilateral solution. All major coordination units, financial organizations, and economic research departments in all provinces, cities, and regions should ensure that there are good economic information systems between them.

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## THE ROLE OF BANKS IN CHINA'S FOUR MODERNIZATIONS

### First Installment on the Role of Banks

Hong Kong WEN WEI PO in Chinese 27 Apr 83 p 7

[Special Column Article by Yang Peixin [2799 1014 2450]: "China Must Establish a Vigorous Banking System--First Installment on a Theoretical Probe into the Role of Banks in the Four Modernizations"]

[Text] EDITOR'S NOTE: Under China's new economic policy, the urban and rural residents have embarked on the road to wealth and the savings rate among the people is rising day after day. Furthermore, with the acceleration of the pace of China's four modernizations, the large-scale and small enterprises have given further play to their initiative and the need for capital has increased tremendously. Under this new economic situation, China's banking organizations must give play to the powerful function of credit in order to lead the socioeconomic work onto the road of handling affairs in accordance with economic law. In this article, we are conducting a profound theoretical probe into the issues of how to rely on the banks to accumulate social capital, make use of the means of loans to raise the results of investment, and solve the needs for capital in enterprise transformation and priority construction. We are also proposing new tasks for China's banking work. Thus, this is an article which should be read by those people who are concerned about China's economic reform. In this column, we will carry excerpts of the article in several installments over the next few days.

Under the guidance of the new line, our country's banking work has made unprecedented progress. In a short period of time after its establishment, the Chinese People's Bank has set up medium and short term installation loans. The Bank of China has set up foreign exchange loans. The Chinese Agricultural Bank has set up loans for hydroelectricity. The Construction Bank has changed the basic construction appropriation to loans on a trial

basis and has found the new route for raising the results of investment. The rapid increase of urban and rural savings has enabled the Bank of China to open up new prospects abroad and discover new sources of capital for the four modernizations. In order to give further play to the role of banks and accelerate the four modernizations, we must proceed from the actual condition of our country, use the experiences of foreign countries as reference, and conduct a theoretical probe into the role of banks in the four modernizations. Here, I am making a preliminary immature attempt to do so.

The high speed development of the national economy is closely related to the need to give full play to the role of banks. The speed of development of Japan's economy is such that there was generally an increase by 11 to 12 percent every year before the oil crisis in 1973. This was twice as much as that of West Germany, the Soviet Union, France and Italy. In the last few years, there was an increase by 5 to 6 percent, which still doubled that of the abovementioned countries. This is because the portion of accumulation in Japan's national economy is high. Between 1971 and 1975, the average was 36 percent, and in 1970, it was as high as 40 percent. In West Germany, it is 25 percent, in France 25.4 percent, in Italy 21.8 percent, in England 18.6 percent and in the United States 18.2 percent. Over 90 percent of Japan's accumulation was used for investment in installations, while less than 10 percent was used in increasing the floating capital or increasing reserves. Thus, this has guaranteed that the enterprises could continuously renovate their facilities, improve their technology, raise conduct quality and raise labor productivity. The rate of Japan's accumulation is as high as 40 percent. Among that, 6 percent of the national income is capital provided by the financial budget, 13 percent is capital retained by the enterprises and banks themselves and 20 percent is savings from individuals. These three items together form 40 percent of the national income. Wage promotion in Japan is relatively fast. In 1970, the wages of the staff members and workers were one-third of those in the United States. In 1978, they were approaching the level of the United States. The rate of savings was raised correspondingly. In 1955, it was 13.4 percent of the income, in 1960 it was 17.5 percent, in 1970 it was 20.7 percent, and in 1975 it was 24.9 percent. In the same period of time, it was 14.5 percent in West Germany, 19.4 percent in Italy, 12.3 percent in France, 11.2 percent in England and 7.9 percent in the United States. Through actively absorbing individual savings and unit savings, the banks of Japan have accelerated the formation of a high rate of accumulation. By absorbing foreign capital, it has provided surplus capital for accelerating development. More importantly, by extending installation loans and floating capital loans with the savings concentrated in the banks, the capital for economic construction of the Ministry of Finance and the capital drawn in from abroad, they have raised the results of investment. Thus, the banks of Japan have become an important and positive factor in promoting the high speed development of Japan's economy.

Our country is implementing the line of the Third Plenary Session, regulating the ratio between accumulation and consumption, expanding the autonomy of the enterprises and implementing the economic system of responsibility, thereby bringing about a major change in the structure of accumulation. The capital that is put into expanding socialist reproduction is no longer limited to the financial appropriation for economic construction, but also includes

the development funds and depreciation funds of enterprises as well as installation loans and floating capital loans of banks. Between 1978 and 1981, the corrected capital retained by the enterprises themselves had increased from 10.9 billion to 15.0 billion yuan. Through expanding the autonomy of the enterprises, in 3 years, the fund retained by the enterprise themselves totaled 28.0 billion yuan. Bank loans have increased from an annual increase of 18.67 billion yuan formerly to an annual increase of 35.0 billion yuan. We must make the best use of the situation and take into consideration this trend of development to come up with new strategic policies on the question of banking.

The leading comrades of the State Council have proposed the idea of using the banks to absorb social capital and foreign capital to speed up the four modernizations. Can we not further envision relying on the bank to accumulate social capital and absorb foreign capital, and make use of loans to raise the results of investment, solve the needs of a portion of the capital by the present enterprises in technological transformation and priority construction, and promote the development of our national economy?

In accordance with this tentative plan, we must vigorously strengthen the banking system and ask that the bank shoulder the tasks in the following three aspects.

#### Second Installment on the Role of Banks

Hong Kong WEN WEI PO in Chinese 28 Apr 83 p 10

[Special Column Article by Yang Peixin: "It is urgently Necessary to Expand the Banking and Savings Network--Second Installment on a Theoretical Probe into the Role of Banks in the Four Modernizations"]

[Text] (I) Extend the Network Outlets of Urban and Rural Banks Downward One More Level

Now that capitalist banks have adopted the use of computers, not only do the receipts and payments of the state and enterprise, go through the banks, but the monetary receipts and payments of individuals also go through the banks, thereby giving play to their function as society's general bookkeeper. When a factory disposes of wages, it hands its detailed list to the bank and the bank transfers the money to the savings accounts of the employees. When the employees pay their water and electricity bills, rents, medical bills, tuition for their children, or when they make monthly payments on their houses and cars, they entrust the bank with the task of transferring accounts. When they go to the supermarket to buy consumer goods, they use their credit cards and do not have to carry cash with them. The state's money, the enterprise's money and the individual's money are all concentrated at the bank. The receipts and payment of money are processed through the bank's computer. This brings about a large amount of savings for the bank. The total amount of savings in the banks of the United States reached 1 trillion yuan in 1979, which corresponded to 95 percent of the national income that year.

Japanese economist Hiroshi Takenchi estimated that Japan's banking system includes 9,000 urban banks, 13,000 regional banks, over 20,000 rural credit cooperatives and 22,000 post offices that handle savings, that is, a total of 68,000 organizations, which means that for every 1,500 people there is one banking organization; whereas in China, there are 36,000 banks and 62,000 credit cooperatives, which means that there is only one banking organization for every 10,000 people.

In the past, our country had very few banks. This was closely related to the backwardness of commodity production in those days. For instance, in a district like the Tong County in the suburb of Beijing, the average amount of sales of a shop in 1 month was 5 yuan per person. When people did not have money, it was a waste to set up banking organizations. The line taken by the Third Plenary Session has brought about tremendous changes in the national economy. The implementation of the economic system of responsibility in cities and the rural areas has mobilized the enthusiasm of the workers and the peasants, and increased income. The rural areas have practiced diversified economy, opened up trade fairs and implemented the open-door policy. All this has broadened the path for agricultural production. Now there are more peasants who can take out several hundred or several thousands yuan and workers who can take out several hundred yuan from their pockets. Under such circumstances, if we do not promote banking organizations at one level lower and extend our savings network, we will fall behind the development of the situation. In Beijing Municipality, on the average, there is one banking organization for every 18,000 people. The savings at the Beixinqiao Savings Post increased from 4.83 million yuan in 1965 to 18.9 million yuan in 1981, while the savings accounts increased from 23,000 to 62,000 accounts. The customers had to wait in a line that went all the way to the street. Everyday, there was a line two and one-half meters long outside the Dongdaqiao Guandong Branch of people who were making payments with their bank cards after the bank closed. A new savings post was built at Tuanjieshu. In 9 months, it absorbed 1.71 million yuan. In the 14 counties of the Beijing suburb, the savings of the credit cooperatives in 1978 amounted to 5.092 million yuan. By February 1982, the savings reached 30.709 million yuan, with an average progressive annual increase of 56.4 percent. Over 1,300 credit stations have over 10,000 yuan of savings, and over 700 have over 50,000 yuan, the highest savings absorbed being 68,000 yuan. During the season of distribution in 1982, one savings post in Taiyanggong Commune in the Chaoyang District absorbed 80,000 yuan in 2 days while its credit cooperative absorbed 60,000 yuan. As long as we strengthen the rural banking organizations, savings will develop to a greater extent. We must "increase the number of branches of the people's bank" and "eliminate the phenomenon of lining up." We should consider promoting the rural branches of banks in general market towns so as to make it convenient for the peasants to make their bank deposits after they have sold their agricultural sideline products at the fair as well as draw money from the nearby bank to buy what they need. At present, we have established credit cooperatives at the level of the commune. We must study on how we can extend the credit organizations to the level of the natural villages and production brigades. We must reduce the phenomenon of redundant outlets and organizations in the county seats on the one hand and set up organizations on a popular scale at the residential areas, industrial and mining districts and market towns on the other hand, thereby establishing a credit cooperative network in the countryside.

(II) Require the Unification of Bank Accounting Organizations.

By the end of 1980, there were 120.8 million accounts with the banks throughout our country. Among them, there were 400,000 agricultural accounts, 320,000 industrial accounts, 210,000 commercial accounts, 350,000 collective accounts, 740,000 government organ, group and financial organization accounts and 118.76 million savings accounts. Every year, there were 1.9 billion transactions and 100 million cash payments and receipts. The total amount of payments and receipts reached 7,643.9 billion yuan, among which 5 percent, which was about 414.5 million yuan, was cash. Banks handled on the average 20 billion yuan of payments everyday. As society's general bookkeeper, banks handled the transactions swiftly and accurately, which not only was beneficial to economizing society's circulating fees but could also speed up the development in production. After the enterprise has dispatched its goods, if it can receive payment for its goods at an early date and plunge into production, then it can produce more and sell more. In the past, our country sent through the Bank of China, which handled in a unified manner accounting, cash payment and receipt and other savings transactions. This was favorable to accelerating society's capital turnover. As society's general bookkeeper, the bank's first task is to handle the payment and receipt of monetary items of the various units and speed up capital turnover. From now on, the specialized banks will also handle savings, accounting and cash payment and receipt. Therefore, we must established a system of unified clearing and currency exchange by a few banks, so that the payment and receipt of money will flow smoothly.

(III) Strengthen the work of Absorbing Savings.

It is most convenient for all circles in society if one banking organization handles savings and remittance in a unified manner. As long as there is a bank on a street, the factories, shops, individual industrial and commercial units and residents can all handle their own savings, loans and remittance. As far as the bank is concerned, this also is the most economical method.

It is a good idea to set up many small and comprehensive banking organizations all over the main streets and small alleys.

The individual savings rate in Japan is as high as 20 to 25 percent and forms the lifeline of the high speed development of its national economy. This is brought about by a number of factors. First of all, this is due to the industrious and frugal character of the Japanese people. Furthermore, rewards are given in Japan every 6 months, and each time the reward is equivalent to 2 to 3 months' salary. This sum of money very naturally is put in the bank, which also favors the development of savings. Japan strictly implements its retirement system. When a young person gets a job, he must save money to buy a house and prepare for a place where he can stay in old age. The people in Japan have to pay for schooling. When a child is born the parents will begin to save money for college. In particular, what is worthy of our attention is that Japan has specially organized an association for the savings business, presided over by such celebrities as Kaheita Okazaki, which enhances the formation of the atmosphere of economizing and savings in society. The

people of our country are industrious and frugal. But in some aspects we still manifest extravagance and waste, the most prominent being young people spending a lot of money and going in for ostentation and extravagance in marriage ceremonies. If we stop this hole, we can increase our savings by several billion yuan.

#### (IV) Develop the Insurance Business

In places where no insurance organizations are established, banks should handle the insurance business and actively promote the development of insurance business.

### Third Installment on the Role of Banks

Hong Kong WEN WEI PO in Chinese 30 Apr 83 p 10

[Special Column Article by Yang Peixin: "Establish an Overseas Banking Network to Absorb Savings--Third Installment on a Theoretical Probe into the Role of Banks in the Four Modernizations"]

[Text] (I) An Important Method of Absorbing Foreign Capital is to Establish an Overseas Banking Network in order to Directly Absorb Savings and Borrow Capital.

There are many means of bringing in foreign capital, but generally speaking, there are two types: The first is direct investment from foreigners, resulting in joint Chinese-foreign operations. The second is foreign loans by the banks or the government. Japan's experience has proved that the major form is to borrow foreign capital through the bank. When Japan operates an enterprise jointly with a foreign country, it is mainly because Japan wants to absorb the experience in technology and business management which it has not yet mastered. The number of long term low interest loans which the government negotiates is extremely limited. Thus, in absorbing foreign capital, one has to rely primarily on the banks. After the war, Japan devoted itself to establishing an overseas banking network. By 1979, it had established 122 overseas branches, 14 office and 143 representative offices. In addition, it also registered and set up 72 banks overseas, thereby having established a total of 353 organizations. These banking organizations had, between 1946 and 1978, absorbed over 90 billion U.S. dollars of foreign currency savings, with an average increase of 3 billion U.S. dollars every year. These banks also borrowed short term capital from the European and U.S. monetary markets. Before the sixties, it borrowed 4 billion U.S. dollars; in the early seventies, close to 10 billion U.S. dollars; and since 1974 it has borrowed almost 24 billion U.S. dollars. Furthermore, the long term trust banks and the stock companies issued 6.4 billion U.S. dollars of foreign currency bonds between 1955 and 1977. The banks of Japan relied on their organizations abroad to absorb foreign capital to support the domestic enterprises in importing advanced technology and facilities and speed up the development of the national economy.

In order to absorb the experiences of foreign advanced technology and business management, we must adopt the mode of joint Chinese-foreign operations in certain businesses in order to absorb foreign investment, such as in the prospecting and excavation of petroleum from the sea. Through joint Chinese-French operation, a Tianjin grape wine factory absorbed the latest technology and enabled their product to sell popularly on the international market. This also is entirely necessary. Whatever the technology and equipment we need to absorb, digest and utilize, we must obtain it by buying that technology and equipment and by borrowing capital. Thus, one major method of making use of foreign capital by our country is relying on the bank to borrow foreign capital.

(II) The Present Capitalist International Monetary Market is Flooded with Capital: This is very Favorable to our Banks for Borrowing Foreign Capital.

Japan's Minoru Kobayashi said: "The phenomenon of inflation continues to exist in the world economy. This has brought about a correspondingly favorable objective environment for the debtors." In the eighties, the capitalist countries are caught in the state of economic standstill complicated by inflation. Prices are rising by two double digit rates every year. The interest rate on the international market in 1981 was as high as 15 percent. Under such circumstances, will borrowing foreign capital put us in the trap of "usurious loans" and snowballing usury? This is a problem which we must consider in earnest. Foreign economists feel that although the interest rate on the market is high, yet, after deducting the price inflation, the actual interest rate is not high. For instance, when the interest rate is 15 percent and the price inflation is 10 percent every year, then the actual interest rate is only 5 percent. Some of us are still worried that if the foreign prices of our country's export materials only rise by 5 percent, then the interest rate for us is as high as 10 percent. Thus, we must examine the foreign price indices of our country's export materials before we can ascertain our advantages and disadvantages and gains and losses. Comparing the interest rate of the London market over the last 10 years with the foreign price indices of our country's export commodities that are compiled by our international trade research institute, we see that if our country in 1971 borrowed from the London market 100 yuan, we would pay 233.57 yuan as the loan principal plus interest in 1980. But in 1980, our export materials can sell for 307.6 yuan. Many of our country's export materials are elite materials and many of them are food products that have a relatively broad rising scale. As long as we utilize favorable conditions to handle the sales price properly, making sure that its rising scale is not lower than the rising scale of the prices of other countries, then we will not suffer. Utilizing the bank to borrow foreign capital is a method of importing foreign capital that is favorable to us.

The Japanese economist also points out that at present, the international monetary market is flooded with floating capital. This is a favorable factor for China to import foreign capital and accelerate the four modernizations. This is a favorable condition which was lacking in those years when Japan was striving to develop the national economy at high speed. At present, the Euro-dollar, the Asian dollar, the petro-dollar and the European Mark



are flooding the market. The total amount is above 1 trillion U.S. dollars. As long as our domestic use of foreign capital really produces economic results, the foreign capital is inexhaustible. The key is to properly rectify the enterprise. And the key at the moment is to establish a vigorous banking organization, to be good at discovering enterprises that have a good leading body, strong management ability, high economic results and great future for development, and provide adequate loans and foreign exchange to support these enterprises, so that we can promote these enterprises first and use foreign capital well, and bring about an all-round upsurge in the national economy.

(III) We must Calculate Carefully, Budget Strictly and Make Full Use of Foreign Capital that has a Relatively Low Interest.

Although it is favorable to us to borrow capital in accordance with the interest rate of the London monetary market, we must still make careful calculation and strict budgeting and strive to borrow capital that has a relatively low interest rate. (1) The Bank of China must try its best to expand its overseas banking network in order to directly absorb savings and reduce the burden of interest payments. (2) The banks of many countries, including France and Italy, are handling export credits, which let the financial budget supplement the interest difference. The purpose is to promote the sales of complete sets of equipment and increase employment at home. In recent years, because the capitalist economy has come to a standstill, to further loosen the terms for export credit, some terms not only are suitable for use in selling complete sets of equipment but are suitable for use also in selling single items of machinery or technology. Some terms are even suitable for use in exporting cotton and pellets. Our country's import units should carry out close cooperation with the banks. Whenever necessary, let the banks strive to get the banks of other countries to handle export credit and make use of export credit as much as possible in order to save cash expense. Of course, we must strictly prevent the quoted price of commodities in export credit to be higher than the quoted price on the market. We must ask that the quoted price in commodities be low on the one hand and ask that export credit be granted. (3) The overseas economic cooperative funds of the World Bank and Japan and the loans of the Kuwait Foundation have interests that are relatively low. Some loan periods are very long with only 2 to 3 percent interest rates. We must strive to obtain these loans to be used in such aspects as energy, communication and education. We must put forth feasibility research programs. We must organize in a planned manner the concerned departments to put forth a batch of programs in energy and communications development (in particular, the hydroelectricity project), do a good job of feasibility research and do our preparation work well. The banks should concentrate a group of experts, store feasibility research materials for a group of projects and assist in doing a good job of striving to obtain long term low interest loans. (4) We must also make use of foreign insurance, issuance of foreign bonds and other methods to utilize foreign capital.

#### Fourth Installment on the Role of Banks

Hong Kong WEN WEI PO in Chinese 3 May 83 p 10

[Special Column Article by Yang Peixin: "State Monopoly of Loans and Loan Payments is not the Best Thing--Fourth Installment on a Theoretical Probe into the Role of Banks in the Four Modernizations"]

[Text] (IV) The Success or Failure of Utilizing Foreign Capital is Determined by Whether or not Economic Results are Obtained.

In order to guarantee economic results, we must try our best to let the banks adopt a loan strategy, obtain loans for domestic enterprises and let the bank and the enterprise shoulder the responsibility of repaying the loan principal and interest. Over the past few years, we adopted the method of state monopoly of loans and payment of loans in using foreign capital and obtained relatively poor economic results. In state monopoly of loans and payment of loans, the loan borrowed from abroad that had to be paid back with interest was changed into appropriation without repayment and without interest to the enterprise. The enterprise did not shoulder any economic responsibility. This inevitably affected the economic results. In using foreign capital, what we most fear is not scoring economic results, which will lead to our being heavily in debt and having foreign exchange capital turnover difficulties.

In order to guarantee economic results after borrowing foreign capital, we must adopt as best we can the method of letting the bank obtain the loans. The overseas branches of the Bank of China will shoulder economic responsibility toward the savings accounts abroad. The domestic banking organization will shoulder the economic responsibility toward the overseas branches of the Bank of China; and the enterprises will shoulder the economic responsibility toward the domestic banking organizations. Only by persisting in the loans system can we promote the careful calculation and strict budgeting of the enterprises and guarantee the scoring of economic results from borrowed capital. The bank must strictly examine the projects proposed by the enterprise and issue loans to the outstanding ones. The bank must issue loans only to those enterprises that have a strong leading body, where the enthusiasm of the workers has already been mobilized, that have technological strength and the ability to digest and utilize advanced technology and equipment, as well as to those loan projects that have undergone a proper feasibility study of their economic results.

Toward the use of foreign capital, we must draw a clear line of demarcation between the channel of financial budget and credit capital. Any aid, gift and donation from a foreign government that does not have to be repaid should be put under the budget. Any loan that has to be repaid with interest for economic construction projects should be handled in accordance with the rules and regulations of credit.

(V) Establish an Overseas Banking Network.

At present, the Western nations as well as the Soviet Union and the eastern European nations are competing to establish foreign banking networks. The banks of the Western nations are establishing branches and representative offices everywhere. The profits from their foreign organizations often represent more than 75 percent of their profits. Even the Soviet Union and the eastern European countries are rapidly extending their foreign banking organizations and running their businesses in accordance with the business mode of the capitalist banks. The Soviet Union has established banking organizations in London, Paris, Vienna, Zurich, Frankfurt and Luxemburg. Yugoslavia has established 15 organizations abroad. Romania's Foreign Trade Bank has only one organization, the main office, at home, but has five joint investment banking organizations abroad.

Since the Third Plenary Session, the overseas branches of the Bank of China have made major progress. This is the result of implementing the line of the Third Plenary Session and allowing the banks to appropriately operate their business flexibly in light of the local environment. If we implement the policy of establishing an overseas banking network in integration with the four modernizations, our overseas business will definitely score greater results.

The following are the conditions favoring the Bank of China's establishment of an overseas banking network: (1) It has a long history, enjoys a remarkable reputation, and has the trust of the banks and enterprises of various countries and our overseas Chinese compatriots. (2) It can rely on the overseas Chinese and the enterprises of the overseas Chinese, and has a definite economic basis. Relying on the overseas Japanese, the banks of Japan set up organizations in California, U.S.A., and absorbed over 4 billion U.S. dollars of savings. There are over 40 million overseas Chinese living in Europe, the United States and Southeast Asia. They have set up restaurants and other enterprises in those places. This is a favorable factor for the Bank of China to set up branches overseas. There are 10 billion U.S. dollars in savings in the banks of the New York Chinatown. The density of the banking organizations there is second in rank to Wall Street. According to an analysis conducted by Americans, 90 percent of the savings was from the Chinese. The high rate of savings of the Chinese is astounding. The bank supports and assists the overseas Chinese economy as well as plays the role of uniting with the overseas Chinese compatriots and developing the overseas Chinese economy. (3) Another favorable factor for the Bank of China to establish overseas branches is the rapid development of our country's foreign trade. The foreign organizations of the banks of Japan vigorously get hold of information. Whenever they see that certain commodities are out of stock on the local market, they pass that information on and help the Japanese commodity to occupy the market. Whenever they see new technology and equipment, they supply technological information and assist in its importation. They have become the pioneers of trade. If we want to strike out and do business in foreign trade, the banking organizations must actively coordinate with us and make the first moves to reach out. Even if we only set up one banking representative office, we can still find it more convenient than setting up a commercial organization or a trade organization in such aspects as obtaining economic news and developing the economy and trade.

## Fifth Installment on the Role of Banks

Hong Kong WEN WEI PO in Chinese 4 May 83 p 10

[Special Column Article by Yang Peixin: "The Specialized Bank Must Decline the Focus of Development--Fifth Installment on a Theoretical Probe into the Role of Banks in the Four Modernizations"]

[Text] (I) The Purpose of Setting Up Specialized Banks is to Realize the Specialization of Credit.

The State Council's decision that the Chinese People's Bank, the Chinese Agricultural Bank and the Bank of China will issue medium and short term installation loans and the Construction Bank will change appropriation into loans in handling basic construction investments is entirely correct. Practice has proved that letting the banks issue loans to solve the needs of capital construction funds and floating capital in the national economy is favorable to rapidly raising the results of investment. In order to carry out the work of loans in a penetrating and meticulous manner and raise the results of investment, we must implement the specialization of credit and set up specialized banks.

Since the Third Plenary Session, we have scored very great achievements in giving full play to the role of the specialized banks. Obvious achievements have been scored by the Chinese People's Bank in establishing short and medium term installation loans, by the Bank of China in foreign exchange loans, by the Agricultural Bank in establishing loans for hydroelectrical development, and by the Construction Bank in establishing loans for capital construction. In introducing the experience of the banks of Japan, Hiroshi Takeuchi said: "In providing loans, in order to make a firm decision, the banking organization not only must have a good handle on the business situation of the enterprise that requests the loan and carry out financial analysis on it, but must have the ability to project the economic system of organization of a country, the property structure and the politicoeconomy of the whole world. To accomplish this, it must have outstanding working personnel to substantiate the function of examination and investigation." The essence of the specialized bank lies in its possession of an effective research organization in loans examination and investigation. As banks specializing in loans, the government specialized banks of Japan do not generally accept savings, and does not borrow from the people, but has its specified realm of loans and loan targets. The capital of the specialized bank is supplied in a unified manner by the Ministry of Finance and comes mainly from appropriations of that Ministry, the savings taken in by the post office, simply insurance capital and income from government bonds. The strength of the specialized bank is concentrated in loans. Japan's development banks handle a very large business, but they only have 1,061 people. There are 10 organizations throughout the country; in Shikoku (as large as four provinces), only Takamatsu city has a branch. They dispatch personnel through the entire region to carry out investigation and study and loan work. This experience of Japan's specialized bank can be used as reference.

(II) The Focus of Development of the Various Specialized Banks at Present Should be Further Clarified.

(1) At present, should the Bank of China first emphasize the establishment of an overseas banking network? As a foreign exchange specialized bank, the Bank of China must handle overseas Chinese exchange, support the tourist business, develop foreign trade and issue foreign exchange loans domestically. Since the implementation of the open door policy, the various provinces in our country have seen expansion of foreign trade and the tourist business. The enterprises that are using foreign exchange loans are increasing day after day. Even the payment and receipt of overseas Chinese exchange funds is not limited to Guangdong and Fujian. Thus, most of the localities throughout the country have all had business involving foreign exchange. It is necessary for the Bank of China to develop its organizations in the coastal cities and the various provinces and municipalities in the next few years. At present, we must consolidate, substantiate and use this organization, and at the same time emphasize the establishment of an overseas banking network.

(2) Should not the Agricultural Bank put its effort first in the rectification and leadership of the rural credit cooperatives? We should make good use of these organizations to absorb the peasants' savings and issue agricultural loans. We must enable the credit cooperatives to become small banks that support the diversified economy in the countryside and the development of family sideline occupation in order to enliven the rural economy.

(3) The Construction Bank has in the last few years conducted a great number of investigations and research on how to raise the results of capital construction investment, and has made progress in loans work. This is one of its superiorities. Should not the Construction Bank first emphasize the work on the capital construction front, do a good job of feasibility study in the new construction projects and do a good job of extending loans to the construction industry and the construction materials industry, strive to shorten the cycle of capital construction, lower the capital construction cost and raise the results of capital construction investment? Our country's capital construction investment reaches several 10 billion yuan every year. If we do a good job of feasibility study and begin profitable production once construction is completed; if we shorten the construction cycle and strive to start production at an early date, we can give several billion yuan more to the state. New investment is needed in our country's communications, transport, petroleum, coal, electricity and hydroelectricity sectors. Cannot the bank conduct feasibility study on each project and carry out examination and reassessment properly? After doing well these basic tasks, some projects can go for foreign long term low interest loans. For a long period our supply of capital construction materials has not been able to meet the demand. This has lengthened the construction cycle and lowered the results of investment. Our cities' residential construction has many shortfalls; the countryside also badly needs construction materials. The construction materials industry must undergo a relatively major development. The banks of the United States first support the construction materials industry before they support the construction industry in building houses. Last of all, they handle the installment loans to aid in the sales of the houses. They not only support

the construction business, one of the three major [economic] supports, but also effect the solution to the problem of housing in society. Can the Construction Bank handle the loans to the construction materials industry and the construction industry and at the same time create the new experience of the commercialization of housing?

(4) Should the Chinese People's Bank make efforts to strengthen its industrial and commercial credit work? At present 400,000 enterprises and several million commercial enterprises are using several hundred billion yuan of capital without repayment. To rely on the 400,000 present enterprises to expand reproduction, we must strengthen our credit work in industry. We must properly extend medium and short term installation loans to support the enterprises in their technological transformation and equipment renovation. The Chinese People's Bank has extended floating capital loans to the 400,000 enterprises and is familiar with the key to the development of production of these enterprises. At present, in our country, we have used too much floating capital without repayment. The enterprises in Japan are using without repayment the floating capital and the fixed assets at a ratio of 1 to 2.5. Our country's ratio is 1 to 1, which means that the use without repayment of floating capital is 2-1/2 times that of Japan. The commercial turnover departments have also used a large amount of capital without repayment. The industrial and commercial credit departments should emphasize investigation and research, perfect the loans system, so as to promote the reform of the system of organization in enterprises, strengthen business management, economize the floating capital and make use of the several hundred billion yuan of loans in the banks.

#### Sixth Installment on the Role of Banks

Hong Kong WEN WEI PO in Chinese 5 May 83 p 10

[Special Column Article by Yang Peixin: "Foster Banking Personnel As Fast As Possible--Sixth Installment on a Theoretical Probe into the Role of Banks in the Four Modernizations"]

[Text] From now on, the source of capital will be from the following sources: (1) The savings absorbed by the bank and the capital absorbed by the insurance companies; (2) the normal increasing portion of currency issued to meet the needs of national economic development; (3) The foreign currency savings and foreign currency capital absorbed from abroad by banks, the trust investment companies and the insurance companies. In accordance with the state plan and the demand made by the Planning Commission and the Economic Commission, the banks will solve in a unified manner the needs for floating capital and fixed assets for the enterprises. The bank will be responsible for guaranteeing a balance in credit payments and prevent credit inflation and monetary inflation as a result of imbalances in credit payment to the banks. It must also guarantee that the various departments of the national economy develop proportionately and prevent imbalances in the national economy. It also must guarantee that higher economic results will be obtained with the capital.

In order to give full play to the role of the banks, we must send capable cadres to the banks as soon as possible. The banks need a group of graduates from the Department of Economics to handle economic news and carry out investigation and study, grasp macroeconomics and do a good job of comprehensive balance. The banks also need a large group of graduates in the fields of industrial economics, commercial economics, foreign trade economics, agricultural economics, capital construction economics, world economics and finance and banking to strengthen the credit work inside the banks and substantiate the strength of the specialized banks. The banks need a group of college graduates who can speak foreign languages and who can be sent to work in overseas banking organizations after business training by the banks.

Banks are the reservoirs in the national economy. Their role is like the role of the Dongting Hu to the Chang Jiang River. The Chang Jiang relies on Dongting Hu to hold the flood peak, regulate the river flow, prevent flood, benefit irrigation, enable smooth water transportation and develop the fishing industry. To maintain the flexible regulatory role of the banks in the national economy, we must consolidate the centralization and unification of our country's banking business. If we have a unified banking system that can handle a large volume of capital, then we can satisfy the need for capital in purchasing agricultural sideline products during the commercial procurement season; solve the needs for capital in agricultural production in the spring farming season; solve the needs for purchasing export products by foreign trade departments; solve the needs for capital by the enterprise in renovating their equipment and purchasing raw materials in the process of expanding reproduction; and solve the regional needs for capital by the various provinces, municipalities, regions, counties and towns in developing enterprises that will definitely have economic results in light of the economic superiority of the localities. We must set up a vigorous banking system that has unified management and mutual cooperation so as to enhance the realization of the grand goal of the four modernizations.

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CSO: 4006/518

PRC TO ABOLISH 'FOREIGN EXCHANGE CERTIFICATES'

HK030341 Hong Kong MING PAO in Chinese 2 Jun 83 p 15

[Report by Hui Gu [2037 6253]: "'Foreign Exchange Certificates' to be Abolished Next Month"]

[Text] Issued by the Bank of China over 3 years ago, an object of denunciation by people abroad, the "foreign exchange certificates" cease to be issued very soon.

According to reliable sources, starting from 1 July this year, the Bank of China will stop its issuance of foreign exchange coupons to foreigners, overseas Chinese and residents of Hong Kong and Macao. All "foreign exchange certificates" in the hands of the aforesaid people will still be effective till the end of 31 December 1983.

Enterprises and hotels formerly receiving "foreign exchange certificates" will only continue to accept them till the end of this year.

Starting from 1 July, a certificate similar to traveller's cheque will take the place of "foreign exchange certificates." This kind of cheque will be issued to those foreigners who should need to use them as payment for goods when foreign exchange is required for purchases inside the Chinese border. It is stipulated that the traveller must show his credentials when using such traveller's cheques. And detailed regulations concerned will be made known to the public in the near future.

This may help eliminate the malpractice of allowing two currencies within a country, deal blows at the practice of obtaining foreign exchange through the black market on the mainland, and stop the leaks and perfect the administration system of foreign exchange. Will the practice of the new administration means be as effective as the authorities expect? We will have to wait and see.

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# PRC HOPES FOR \$310 MILLION LOAN FROM ASSOCIATION

HK030314 Hong Kong SOUTH CHINA MORNING POST in English 3 Jun 83 Business News  
p 1

[By Ian McLean]

[Excerpt] China is hoping a "soft" loan of around U.S. \$310 million from the International Development Association (IDA) will make up part of the approximately \$1 billion it is seeking from the World Bank.

The IDA is the interest free unit of the bank, lending only to the needy countries. As China only joined the World Bank in 1980 it was not eligible for earlier IDA funding but that will change from next month.

"There's no question at all that China has a very legitimate claim on IDA.... It is poor enough," the World Bank's director for information and public affairs, Mr Frank Vogl, said in Hong Kong yesterday at the conclusion of a 10-day visit to China.

It was headed by the World Bank's chairman, Mr A. W. Clausen, who returned directly to the U.S. after the visit.

The ceiling for IDA eligibility is per capita income of U.S.\$725 and China's was a mere U.S.\$300, Mr Vogl observed.

China is the only member of IDA in the East Asia/Pacific region and is in competition for funds in this area with South Asian nations such as India, Bangladesh and Nepal.

Mr Vogl defended use of IDA funds for China on the grounds that it has an infrastructure that can make maximum use of such aid.

The first meeting of "IDA seven"--the next replenishment of funds--will be in Tokyo next month. Government officials of the 33 member countries will discuss funds for the next 3 years, with a total of \$16 billion being sought.

Mr Vogl, who was with Mr Clausen when the latter met China's leader, Mr Deng Xiaoping, said it was obvious from Mr Deng's remarks that China was striving to exhaust all means of obtaining low-interest money.

Mr Vogl was surprised that the Chinese leader did not give the "traditional" arguments for aid.

"He talked of China's poverty," said Mr Vogl, "but added that China has a huge potential market and as it grows it will have a capacity to absorb the production of the developed countries."

CSO: 4020/87

## MACHINE INDUSTRY REFORM IN PRC STUDIED

Hong Kong WENWEI PO in Chinese 17, 18 Apr 83

[17 Apr 83 p 3]

[Text] China's Ministry of Machine Building's Minister Zhou Jiannan [0719 1696 0589] and Deputy Minister Zhao Mingsheng [6392 2494 3932] met on 19 March with our paper's general manager and deputy editor-in-chief Wang Jiazhen [3769 1367 4394] to present information about developments in China's machine industry.

### Machine Industry Foundation is Good

After reform of China's machine industry enterprises it consists of the First Ministry of Machine Building, the Fifth Ministry of Machine Building, the State Bureau of Complete Sets of Equipment, and the State Bureau of Instruments. In the past, these units were together but were later separated and now they have been reunited. Our present industries are:

First, the heavy machinery and mining industries which are primarily made up of the metallurgical and coal industries and the construction materials industry;

Second is general industries providing equipment for the chemical industry and textiles and light industry;

Third is machine tools;

Fourth is military industries, primarily for national defense.

In addition, there is the instrument industry which has a great many kinds of products. There is also the agricultural machinery industry which is of very large scale and formerly was the Ministry of Agricultural Machinery.

Recently, two enterprises were established: one is the Bureau of Bearings. Bearings used to be situated independently in the automobile industry but were later considered an independent enterprise in order to suite a variety of needs; the other is the Capital Construction Bureau, this is mainly to engage in the most basic products. The original Bureau of Automobiles was

made a company after reform to be a first echelon company within the ministry subordinate to the party committee leadership of the Ministry of Industrial Machinery and different from the shipbuilding industry companies. We now have thousands of industries including 5,000 or 6,000 which are enterprises owned by the people, 2,200 which are county and rural agricultural machinery repair and supply shops, while the others are collectively owned, some large collectives and after reorganization, some are small collectives.

Our gross fixed assets exceed 40 billion yuan and the number of employees is 5.4 million. Our present research institutes are: 1, Over 60 research institutes within the Ministry; 2, second category research institutes, i.e., in the plants; 3, local research institutes. When these three areas are combined it comes to over 300. Scientific and technical personnel make up 4.3 percent which is too small a proportion. The role of the intellectuals should be fully developed.

#### Improve Economic Results Through Reform

For several decades in the past we studied the Soviet Union and with the addition of closing the country to international contact, the machine industry became rather backward. In the past, the machinery industry was accustomed to improving traditional things, i.e., through investigation the scope of service was expanded in accordance with the scope of the division of labor, such as production of military industry equipment, light industry equipment, or now for food and packaging, in whatever area there was need, that was the direction in which development went, and the area of service expanded the better to serve the national economy. Most recently it has been proposed that we should carry out the three improves and one upgrade: improve quality, improve variety, improve technical level, and upgrade economic results.

Our foundation is good, but management cannot keep pace. Formerly we stressed satisfying needs and if the needs were satisfied that was fine but we did not enough research into upgrading levels. Last year Premier Zhao Ziyang proposed "upgrade economic results" and we turned our attention to that area. But it's a large undertaking for us because first, it depends on the ideological knowledge of the cadres, and second, it depends on the methods we use, there is a process here.

In another regard, the investment of the Sixth Five-year Plan was too little. For the machinery industry not to improve in the Four Modernizations will not do, but it must strive to win the support of relevant areas. Several ministries and committees in the State Council recognize that the depreciation rate of our industrial sections is low, unlike the capitalist countries where the depreciation period is short, and the depreciation rate is high. and agree to a one percent increase in some of our mainstay enterprises. This is very encouraging.

How to utilize these funds well is an important issue and focusing on the last three years of the Sixth Five-year Plan we are making plans for technological reform. Our middle level facilities are good, but some key facilities

are not, and if we can increase some key facilities we can make some good products. There are also some key industries which have not been run well and by emphasizing improvements focusing on these centers, though there is not much money, with the support of various aspects and opening more channels, we can use this money in these key areas and crucial spots. If there are improvements in energy and communications, there will be large growth in enterprise management, and product output also can increase.

What are the plans from now to the year 2000? I think it is to do a good job of present reforms and to lay a good foundation. The State Planning Commission is now drafting plans for improving industry, i.e., the Seventh Five-year Plan first planning for 1986-1990, then working on the next decade.

[18 Apr 83 p 3]

#### Vigorously Expand Electro-mechanical Imports and Exports

In the past we did not pay enough attention to exports. The Central authorities have repeatedly said that exports of electro-mechanical products are very important. From present statistical materials it can be seen that the annual volume of exports of the countries of the world is \$600 billion, or more precisely \$630 billion. To increase exports, first of all the ideological question should be resolved, then the question of product standards. Before, we just imitated the Soviet Union, but now for the international market we should use international standards.

Our standards before had some errors in viewpoint as well. In our view, those standards were the highest, but actually they were the minimal level internationally. Thus, although the products we produced were up to the standard they got nowhere internationally. Therefore, we say that enterprise standards should be higher than industry standards, and industry standards should be higher than international standards. So the work we are doing in these few years is to collect international standards, compare them, find the discrepancies. The key to the discrepancies is in our testing and measurement methods, and if our testing is not accurate, it influences exports.

Thirdly, we did not understand enough about the international market, foreign countries did not understand enough about us, and similarly, we did not understand enough about the international market. We should know the London prices, the New York prices, and the Hong Kong prices, this is necessary for foreign trade or, in terms of production management, it is also necessary to compute costs. Due to our lack of understanding of international prices, sometimes we wanted to get into the market but couldn't because we didn't understand their specific situations, the materials they were accustomed to, and the demands of usage, and did not understand which country's standards to adopt; we couldn't do business very well.

We are now researching whether or not we can open a new path in exporting. First we should change our past unsuitable exporting methods ideologically. Second, if our electro-mechanical products cannot earn money then there is a contradiction between international market prices and domestic prices.

Third, we should understand things in the international market. Fourth, there should be changes in policy. In addition, we should also study legal questions in some areas if we do not want to get involved in law suits. In fact, to do business it is necessary to understand the law. In addition to that, the problems of delivery of goods, fittings and repair work not being up to standard are some of the things being researched and resolved recently.

Generally speaking, our products still have use in the international market although they are not advanced.

During the Sixth Five-year Plan with the emphasis on the three improves and the one upgrade, improve quality, variety, and level and upgrade economic results, it appears that we should still import some. Our so-called importing mainly revolves around how to improve our level, on one hand to satisfy domestic needs, and on the other to break out, with the emphasis here placed on importing technology. Importing technology is a complex matter and has a variety of forms. Sometimes the technology comes at the same time as the equipment, sometimes with cooperative production, and again it comes with some key spare parts which when installed raise the level. Some products the country just isn't putting much effort into now and if it doesn't take much money, they can be imported. The nation's current urgent needs also can be imported. The goal of importing now is to gradually take control ourselves.

For three years of the Sixth Five-year Plan a group of projects has been proposed, all together over 700, which will require over \$10 billion and more broadly involve relevant areas. We want to get involved more broadly on the foundation of equality and mutual benefit, so first of all we should understand which national levels are higher, and can they be willing to get involved with us. Technology and trade, reproduction, credit, distribution and transport, and joint financing must be combined, i.e., technology and trade combined, credit and distribution combined, and using a variety of forms apply them in scientific research and improving product quality. It is rather difficult to talk about the problem of expenses. The fluctuations in the international market now are also very severe, therefore now we can only propose projects and no precise figure can be given for how much the expenses will actually be.

Generally speaking, in the last few years an average of 30 or 40 technological projects have been imported each year, and up to the middle of last year, 160 projects had been signed for. This rate of progress cannot be considered fast. One problem is establishing a competitive match. The conditions placed on you by the capitalists are harsh on some projects are in discussion for a long time. In the last three years over 700 projects have been proposed, but the difficulty in completing them is enormous. The key points revolve around the following aspects: the basic conditions, basic materials and basic technology; second is the basic machinery, precision measuring instruments, and energy saving are all points of emphasis. Third is developing energy resources, and transporting energy. These are all major facilities, and these facilities should be completed ahead of time in the Seventh Five-

year Plan. Instruments and gauges are a very important territory for modernization development. The disparity with foreign countries is very large and this is a key point. In addition, we should develop what we lack, for example engineering machinery, printing machinery, environmental protection machinery. These are newly opened territories into which we should move and propose some specific projects focusing on these key points.

There is one problem. Foreign capitalists are very far-sighted in selling technology to open up the Chinese market. Methods of bringing in technology are varied and it can also be jointly produced, we have done quite a bit in combining technology and trade and in joint production, and there is also coming into plan production. One type of situation is joint funding. One thing foreign businessmen consider is our legal guarantees. Then again, there are the products. There are two big questions: one is the legal question, and the other reselling question. Imports of machinery and equipment nationwide now is \$5 billion this year but exports are only a little over \$2 billion. Up to the end of last year there were 50 foreign aid projects. This category should be further developed.

#### Actively Coordinate Development of Offshore Oil

As concerns the question of offshore oil, there have really been major developments. In the past few years there has been growth in land-based oil domestically and basically it is maintaining things at a certain level. Now we should develop at sea, thus large amounts of money are being spent on the sea for research and the machine industry has also invested here. Not only is it the Bureau of Petroleum Use, but also many aspects of the electronics industry, heavy industry and instruments. Within the Ministry it is clearly the General Petrochemical Bureau that is organizing all these aspects. According to various reports, offshore oil alone comprises 28 systems. The Ministry of Machine Industry alone has taken on 20 systems, the largest being well drilling. Well drilling is now mainly being discussed with foreign countries. If the well drilling can be settled, then the other aspects, such as motive power, complete sets of equipment, instruments, and the like, can be specified. What needs to be understood is international voting and how to gain the recognition of the API. The API is the American Petroleum Institute. It is very hard to say right now how much equipment the machinery industry can provide for offshore oil. This should be investigated first. There should be discussions with the China Shipbuilding Company and the Ministry of Petroleum to understand the proposals for developing offshore oil, the preparatory work, and what areas there are that need us.

This is because the sea is a very complex region. Generally speaking, for developments for the better after the reform of import agencies, there are a series of tasks which must be done. Reform is a major undertaking and to change a system which has taken such a long time to take shape, will definitely take a great deal of energy. However, we cannot copy, but should conform to national circumstances. This is a complex problem. The most important thing now is to reorganize the enterprise, and get the responsibility system done right, then actively mobilize.

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